

The Capitalization of Islamic (LaRiba) Finance Institutions In America

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HARVARD ISLAMIC BANKING 2000

WHAT IS ISLAMIC FINANCING?

CREDIT IS A BASIC HUMAN RIGHT

- Socially Responsible Ethical Financing
- Asset-Based Financing
- A Commodity, Tangible Asset &/or Service Must Change Hands
- Investments in Specific Activities
- Community Development

ISLAMIC FINANCE IN AMERICA

THE VISION

- **HELP MUSLIMS ACHIEVE THEIR INVESTMENT AND BANKING NEEDS IN AMERICA WITHOUT *RIBA*, AS WELL AS SERVE AMERICANS OF ALL BACKGROUNDS.**
- **BIND THE MUSLIM COMMUNITY TOGETHER BY OFFERING INVESTMENT AND FINANCING SERVICES AS A TOOL OF PUTTING LIFE IN ISLAMIC VALUES, WAYS & MEANS.**

ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA

THE MISSION

BUILD AN ISLAMIC FINANCE, BANKING & INVESTMENTS SYSTEM IN A WORLD RUNNING AND OPERATING BY *RIBA*

ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA

FINANCING HISTORY

- 1986 / 1987 : MSI and American Finance House LARIBA in California, BMI in New Jersey
- 1988 - Albaraka Bancorp in California
- 1997 / 1998 United Bank of Kuwait ALMANZIL
- Other Smaller Institutions in Leasing

ISLAMIC FINANCING & INVESTING IN AMERICA

● AVAILABLE OPPORTUNITIES :

- Financing: Homes, Autos & Equipment
- Investing: Limited to Accredited Investors & Use of a Limited Partnership Format

ISLAMIC FINANCING IN AMERICA

- **FINANCING DEMAND: HOMES**
(PURCHASE OR CONSTRUCTION)
 - Population Estimates: 6 to 8 million. Largest Population Concentrations in California, New Jersey, New York, Michigan and Illinois.
 - Demand Estimates: 10,000 Households for Mortgages or about \$ 1,000 Million.

ISLAMIC FINANCING IN AMERICA

- **FINANCING DEMAND– AUTOS, EQUIPMENT & SMALL BUSINESS**
 - AUTOS: At Least 10,000 Automobiles per year or Approximately \$200 Million
 - EQUIPMENT: At Least 500 Units in the Fields of Medical & Dental Services and Franchise Fast Foods or Approx. \$ 100 Million
 - SMALL BUSINESS: At Least \$100 Million

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THE NEEDS OF ISLAMIC FINANCE COMPANIES IN AMERICA

- **Expand the assets under management to a critical mass of \$25 to \$50 million.**

ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA

WHAT IS REQUIRED ?

- **Ability to Accept Deposits**
- **Ability to Securitize The Loans**
- **Ability to Raise Funds from The Public**

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AVAILABLE OPTIONS

1. **LINKING WITH A MAJOR ISLAMIC ORGANIZATION**
2. **LINKING WITH A LARGE ISLAMIC BANK**
3. **POTENTIAL ALLIANCES WITH RIBA BANKS –
*Malaysian Model***

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1) LINKING WITH A MAJOR ISLAMIC ORGANIZATION

- **Exposed to the political baggage of the Organization which impacts the growth and prosperity of the finance company.**
- **Decisions are not made on pure technical and professional Credit Criteria.**

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2) *LINKING WITH A LARGE ISLAMIC BANK*

- **Community investing may not be as lucrative compared to the stock market or large real estate deals.**
- **No emotional attachment to the local community.**
- **More comfortable dealing with a well-established American firm than a smaller and less experienced community-owned Islamic finance company.**

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3) *POTENTIAL ALLIANCES WITH RIBA BANKS – Malaysian Model*

- **Benefit from the Network, the Regulatory Rules, Depository Ability, FDIC Insurance and the Large Pool of Capital and Trained Professionals**
- **Provide a Window of Competition to All Consumers to Choose From Riba or LaRiba.**

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CONCLUSION

**LARGE MARKET WAITING TO BE
SERVED. At Least \$1 Billion.**

CAPITAL is not enough...

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SOLUTIONS

- **Form alliances with investment and brokerage firms in the US to access the capital markets. This allows for the packaging of similar fixed rate obligations (home loans, auto loans, credit cards, etc.)**
- **Form alliances with LaRiba and conventional Riba banks to leverage available capital.**