

AMERICAN FINANCE HOUSE
L A R I B A



**Towards a LARIBA Mortgage
Financing in the United States**

October 1998

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**HOME MORTGAGES IN THE US
FACTS**

- 66% of Residential Properties are Owner Occupied
- Mortgage Payment is the Biggest Monthly Liability
- Typical Home Buyers Finance 80-90% of Purchase Price
- Typical Mortgages Mature in 15 to 30 Years
- Due to Mobility, Home Mortgages are usually not Held till maturity. They are repaid within 5 to 8 years

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POPULATION OF AMERICAN MUSLIMS

Based on Studies by American Muslim Council
(AMC - 1992) and U.S. News & World Report (7/20/98)

- Five to Six Million.
- California has Largest Population 1.2 million
- Significant Communities in New York, Illinois, New Jersey, Indiana, Michigan, Virginia, Texas and Ohio.

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AMERICAN MUSLIMS BANKING & FINANCING PRACTICES

- Most Participate in RIBA Banking, Investing & Financing
- Most are Beneficiaries of RIBA System
- Arguments Against LARIBA:
 - American Muslims Lack Credible Institutions
 - No Difference Between RIBA (interest) & LARIBA (profit)
 - Failure of Some Islamic Banking & Finance Institutions (Egypt)

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THE MARKET IN AMERICA

- Total Households Estimated to be 1.5 million.
- 50% or 750,000 Households Can Afford Owning A house.
- 20% Aspire to Live According to Islam; i.e. 150,000 HH
- LARIBA PURITANS - WHO REFUSE TO PARTICIPATE IN RIBA - are estimated to be 5% to 10% of the 150,000 HH
- Market for LARIBA Mortgages is Estimated to be 7,500 to 15,000 HH. We Use 7,500 HH to be on Safe Side.
- LARIBA MORTGAGE VOLUME Approx.. \$200 million
- A DETAILED STUDY IS NEEDED

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IMPLEMENTATION STRATEGY

BEGIN WITH THE POSSIBLE TO ACHIEVE THE IMPOSSIBLE

1. Grassroots Community Involvement

- Reliance on Own Local Resources.
- Participation in Community Activities Take Interest in Community Members.

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IMPLEMENTATION STRATEGY

BEGIN WITH THE POSSIBLE TO ACHIEVE THE IMPOSSIBLE

2. THE LAWS OF THE LAND

- Changing the Laws is Difficult, Expensive and Lengthy
- Coexist with American Banking, & Finance Laws. Experiences Gained from Marriage Contract & Procedures
- Support “Financial Services Modernization Act”, “HR10”
- American Laws Enhance the Credibility of LARIBA

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IMPLEMENTATION STRATEGY

BEGIN WITH THE POSSIBLE TO ACHIEVE THE E IMPOSSIBLE

3. MATCHING THE COMPETITION

- LARIBA Products should surpass the RIBA Mortgage
- Title & Ownership Should be Transferred with No Delay
- Closing Cost Should be At least Same or Even Less
- Client Should Take Advantage of Capital Gains on Selling
- Client Should benefit from Mortgage Tax Deduction

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IMPLEMENTATION STRATEGY

**BEGIN WITH THE POSSIBLE TO ACHIEVE THE
IMPOSSIBLE**

4. MARKETING APPROACH

- Avoidance of Traditional ‘Marketing Hype’ is Necessary
- Belonging to, Knowledge of, and Participation in the Activities of the Community are Required
- Referrals are The Major Sources of New Business

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IMPLEMENTATION STRATEGY

**BEGIN WITH THE POSSIBLE TO ACHIEVE THEE
IMPOSSIBLE**

5. REDUCE ADMINISTRATION & GENERAL COSTS

- Voluntary Work is The Key. No or Low Salary
- Officers Take the Task as A Mission Not A Job
- Reduce Costs in Travel, Accommodations, Entertainment,.
- Know Your Client - Less Non-Performing Loans

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IMPLEMENTATION STRATEGY

BEGIN WITH THE POSSIBLE TO ACHIEVE THE IMPOSSIBLE

6. EDUCATION

- Facts About 30-Year Mortgage. Continual Debt Burden
- Advantages of Owning A House and Concept of Return on Paying Rent for Oneself.
- Value of Saving for Children Home Using “Roth IRA”

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THE LARIBA LEASE PURCHASE MODEL

CONCEPTS

- Joint Venture. Client Owns 30% & LARIBA Owns 70%.
- Client Agrees to Buy LARIBA Shares Back at Original Price.
RETURN OF CAPITAL - No Time Value of Money
- Client & LARIBA Agree on A Lease for Say 5 to 7 Years .
- Pay Back Can Be Straight Line or Accelerating from A Smaller Base to Fit the Expected Growth in Client Income

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CONCLUSIONS

- LARIBA is Potentially in Harmony With the Best of American Virtues and Values. It Offers Many Benefits for Civil Society in a World Where Many are Excluded from Credit & Finance.
- LARIBA Mortgage Financing is Feasible in America if Done Strategically to Satisfy the Laws of Shari'aa and those of the US.

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CONCLUSIONS (cont.)

- Initial Market Size is 7,500 Households or approximately \$200 Million.
- Community Involvement at the Grassroots and Reliance on Local Capital for Funding are Imperative.
- LARIBA Mortgage Model is Designed to Rid Customer from the Burden of Pay Back (Debt) As Fast As Possible. In Contrast, the 30-Year Mortgage Keeps the Debt Going.



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CONCLUSIONS (cont.)

- LARIBA Mortgage Can Best Survive and Grow under the Protection and Scrutiny of the American Banking, Monetary and Financing Laws. It brings to Life the Community Reinvestment Act “CRA”.
 - A Savings Program for Children from a Young Age is Recommended (may be in a ROTH IRA) to Save for Education & For A Sizeable Down Payment on their First House.
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