

## Banks offer no-interest options for Muslims

Traditional home loans go against beliefs in the Koran for devout followers.

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Sumaya Boomgaard, a 35-year-old physical therapist, had rented apartments for a decade when she decided it was time to put down some roots.

But she struggled with the idea of a traditional mortgage. Like many devout Muslims, Boomgaard wants to conduct her financial life in accordance with the Koran, the sacred book of the Muslims that forbids paying or receiving interest, or "riba" in Arabic.

"Everyone strives to comply with the rules given to us as Muslims," Boomgaard said.

That is why Boomgaard worked hard to buy her "cozy starter home" in Auburn Hills through a unique interest-free program offered by Ann Arbor's University Bank, among the first of its kind in Metro Detroit.

Boomgaard's situation is familiar to area Muslims who want to balance their faith with the practices of the U.S. banking system. In response, a small number of local lenders and national financial institutions are finding ways for this niche market to buy homes, save money and invest while still honoring their beliefs.

Michigan has one of the largest Muslim populations in the nation, with more than 400,000 Arab

Americans. Still, the number of programs available to communities that prohibit interest is limited.

National lenders offer some programs. Freddie Mac has offered home-financing contracts in accordance with Muslim law since 2001 through American Finance House -- LARIBA in Pasadena, Calif. However, the program has received little publicity.

There also are Islamic mutual funds such as Amana Funds and the Dow Jones Islamic Fund that avoid businesses like casinos and tobacco manufacturers.

Locally, Detroit-based Comerica Inc. has reached out to Metro Detroit's Arab-American community, concentrating on business loans for entrepreneurs in the Muslim community.

Boomgaard said she found many loan options when she started looking but none that considered her religion. Then a friend suggested she look into University Bank.

Boomgaard met with Adnan Mirza, University's senior Islamic banker, to discuss its mortgage alternative loan transaction, or MALT, program.

University's program replaces a traditional home loan with a redeemable lease. The bank holds the home in trust, and Boomgaard makes monthly payments to that trust. Each rent payment includes a set amount of savings, which builds Boomgaard's equity in the home. Once that savings account equals the home's original purchase price, Boomgaard will own it, free and clear.

Now, Boomgaard is a happy, first-time homeowner. She will own her three-bedroom ranch in the same amount of time and cost as if she had used a traditional 30-year mortgage. She receives the tax advantages of a traditional mortgage because the IRS recognizes these

unique programs as a traditional mortgage.

More importantly, the agreement respects and complies with her faith. While that wasn't a necessity, it was a relief, Boomgaard said.

"Even if you are a Muslim, life is a business transaction," she said.

"You have to use your health, strength and wealth to their best potential."

If University Bank can market and grow its business effectively, experts predict larger banking chains will follow, developing lending practices that can give Muslim customers alternatives to interest-based accounts such as mortgages, business loans, car loans and credit cards.

So far, more than 30 families have signed up for the alternative home loan program, and the bank has about \$7.4 million invested. It also has about \$1.65 million in its Islamic deposit accounts, which allows Muslims to open accounts where any profits are shared rather than paid as interest.

"There is definitely a demand for it," said Ahmad Chebbani, president of Dearborn-based Omnex Accounting and Tax Services and publisher of Arabica Business, a bimonthly Arab-American magazine. "A lot of banks haven't picked up on that yet. "University Bank began to develop its Islamic banking division about a year ago through a partnership with Shape Financial Corp., a group of financial services and real estate professionals in West Falls Church, Va.

Shape's president and CEO is Abdulkader Thomas, a Muslim banker with 25 years of experience. Thomas said the group, a mix of Muslims and other faiths, had hoped to start its own Islamic bank in the United States when the September 11 attacks occurred.

Realizing its timing was poor, Thomas said he began to search for partners who could use the mortgage and deposit products Shape had developed and trademarked. A mutual friend introduced Thomas to University's CEO and Chairman Stephen Lange Ranzini.

The challenge was in the details, Ranzini said. University had to develop all new forms, account statements and internal procedures for the new accounts, establishing a system that did not rely on interest. The bank is now developing an

online component of the MALT program so customers can check their accounts via the Internet.

University now has four Islamic bankers who spend most of their time in the field, talking to the local Muslim community about its products.

The accounts are open to anyone, but they appeal mostly to people whose faiths prohibit interest payments, Mirza said.

"There's a lot of skepticism about any program that comes out of a bank," Mirza said.

"I've been a Muslim my entire life, and there was a learning curve for me also. Understanding the financial markets isn't part of your daily training."

Once people realize what the program is about, they seem to appreciate its approach, Mirza said.

"It's wonderful to know we can acclimate to (Western) financial markets while staying true to our Islamic traditions," Mirza said.

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Steve Perez / The Detroit News

**Sumaya Boomgaard bought her home in Auburn Hills through an interest-free program.**



Steve Perez / The Detroit News

**Sumaya Boomgaard's situation is familiar to area Muslims who want to balance their faith with the practices of the U.S. banking system. Boomgaard makes dinner in her new home.**

## Common terms

Arabic terms commonly used in discussions about Islamic finance: **Sharia:** Islamic religious law **Halal:** Permitted for Muslims under Sharia **Haram:** Not permitted for Muslims under Sharia **Riba:** Interest; riba is haram **Ijara wa iqtina:** Rent to own, usually of a house

## Islamic finance

Many Muslims believe the Koran forbids its followers to accept interest, also known as usury or "riba." The following verse is often quoted as the basis for an economic system where interest is prohibited.

(3:130) *O ye who believe! Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful.*