

Islamic Finance news talks to leading players in the industry



Name: Stephen Lange Ranzini
Position: Chairman and president
Company: University Islamic Financial
Based: Ann Arbor, Michigan, US
Age: 42
Nationality: American

What are the strengths of your business?

- 1) A fanatical attention to detail to ensure 100% compliance with Shariah principles.
- 2) A strong management and middle management team.
- 3) Patience to forgo potential profit until we can do something 100% correctly.
- 4) Strong capital base.
- 5) Quality portfolio of assets and deposits (engaging in Islamic finance has contributed directly to raising the overall quality of our assets and deposits).

What are the factors contributing to the success of your company?

Willingness to innovate with niche products. Quality, long-term employees, customers and investors.

Could you provide a brief journey of how you arrived where you are today?

University Bank received an award from the US Federal Deposit Insurance Corporation (FDIC) for being 'outstanding' in community reinvestment and community service, and as a result, we were proudly advertising that fact. A Muslim customer came to see me to complain that if we were so 'outstanding', how come we weren't serving 'his community'?

This led to me going to our bank board for approval to introduce Islamic banking products nine months after 9/11. In December 2005, we raised outside capital by selling 20% of our Islamic banking operations spun out into a separate 100% Shariah compliant subsidiary, University Islamic Financial. UIF is now responsible for one-third of our bank's overall financings and one-quarter of our bank's deposits and is growing at rapid rates.

What does your role involve?

I am in charge of strategy, regulatory relationships and new product development. I approve budgets and all new hires. I am chair of the board meetings and am responsible for media strategy, including presentations at conferences and media interviews.

What is your greatest achievement to date?

Nineteen years ago, I led a leveraged buyout of a small bank in Northern Michigan backed by BankOne that has transformed today into University Bank, which manages a total of over US\$4 billion in assets.

In the Islamic sphere, I would point to creating the first FDIC insured, Shariah compliant deposit product (based on a Mudarabah contract) and creating the first US Islamic banking company owned by a US bank. The biggest outside award given to us to date is the 'Community Bankers of the Year' award from *US Banker* magazine in 2006.

Which of your products/services deliver the best results?

Our most popular products today are the Islamic deposit accounts and home financing (based on an Ijarah contract).

What are the obstacles faced in running your business today?

The top three issues that hinder retail delivery of Islamic banking services in the US today are:

- The need to overcome healthy skepticism that we are just dealing with semantics (Islamic financial products are actually different and do have different risks for consumers and providers);
- Lack of trained Islamic bankers (because of the historic trend of Muslims against working in the banking industry);
- Difficulty in building Shariah compliant products that are also compliant with US laws (because providers need to have a product built to meet the laws and disclosure requirements of each of the 50 different states while the software vendors to the banking industry are reluctant to build bespoke products for one client).

Where do you see the Islamic finance industry, maybe in the next five years?

I foresee rapid ongoing growth in the US for those providers who are attentive to detail required by the Shariah. Inshallah, Takaful and many other products beyond basic deposit accounts, and home and commercial real estate finance will be developed and offered to meet the needs of the community.

Name one thing you would like to see change in the world of Islamic finance?

Investors are needed for jumbo Ijarah Sukuk conduits for residential and commercial real estate and to support a stock exchange listed real estate investment trust (REIT). With support from a substantial number of investors for these initiatives, the market would develop more rapidly. ☺



University Bank is a community bank based in Ann Arbor, Michigan serving the diverse needs of all consumers and is rated outstanding by the FDIC for community service and community reinvestment. It is proud to have formed University Islamic Financial Corporation, the first Islamic banking subsidiary run entirely on Shariah principles.