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Author: Judy Steed

### **Bridging cultural gaps**

It's a great Toronto story: Muslim entrepreneur receives financial support from Jewish business executive to purchase Korean Presbyterian school – to be transformed into Islamic school, with "kosher" deal structured in accordance with Islamic law.

In the final weeks of *the Star's* four-month Build a Business Challenge, major developments are propelling our nine chosen entrepreneurs forward.

In the case of Omar Kalair, founder of UM Financial – which will soon reach the \$150 million mark in Shariah-compliant home mortgages – the major problem is finding more financing to meet pent-up demand in the Muslim community. It's a market that's exploding globally – and that's what attracted Derek Scheinman, president of New Horizon Mortgage Investment Corp., to Kalair's story in *the Star*.

"I'm a secular Jew," says Scheinman, 30. "I'm not a religious person. Business is business, and this looks like a good business opportunity. I think the UM concept is brilliant."

Scheinman understood that Muslims are not allowed to pay or earn interest, in accordance with a strict interpretation of Shariah law. And that UM Financial had figured out a way to structure mortgages as equity investments, with a "rental fee" replacing the mortgage payment. It's not the cheapest way to buy property. As Kalair found out, Muslims are willing to pay a premium – 6.1 per cent for a UM deal, compared to 5.5 per cent interest rate on a standard mortgage – to do the deal.

Scheinman and Kalair first met in February, after the story about UM Financial appeared in *the Star*. Kalair was delighted at the prospect of finding a new source of funds, since he'd had little luck with the major banks, apart from Credit Union Central of Ontario, which has financed UM's \$150 million mortgage pipeline.

"Derek said if UM got any commercial deals coming our way, he'd take a look at them," says Kalair, who was impressed by Scheinman's open-minded attitude.

Born in Toronto to "non-religious" Jewish parents – his father is a funeral director for a Jewish funeral home, his mother a dental assistant – Scheinman was educated at the Associated Hebrew School, a day school, from grades one to eight, where he learned to speak Hebrew. He was three years old when his parents divorced.

As a teenager, he had two bar mitzvahs. "Both sides threw me one."

Scheinman's high school years were spent at Vaughan Secondary in Thornhill.

"It was a bit of culture shock, after being in Jewish private school for eight years," he says. But he adapted comfortably. Growing up, he'd played competitive baseball, which enabled him to mix with others.

After graduating with a degree in business administration from York University, he worked for TD Bank for four years, becoming one of TD's youngest managers – at a mini-branch in a Wal-Mart store. He went to work for a mortgage broker before starting up New Horizon Mortgage Investment Corp. in 2004. The company is not traded on the stock market but has a pool of investors who are public shareholders.

"We lend out money for private mortgage deals," he says. Or, New Horizon can, through its brokerage arm, Genesis Mortgage Capital Inc., search out financing on behalf of individuals. It is currently managing \$15 million in mortgages.

"Banks are strict in their guidelines," Scheinman says. "They don't treat people as individuals. There are a lot of self-employed people of merit and substance who might have had a difficult time in the past – and the banks won't talk to them. We're able to give people opportunities they can't get from traditional financing sources."

Clients pay a premium for New Horizon's services, "for the risk we are taking," Scheinman says. "We do first and second mortgages. You're looking at 2 to 3 per cent higher (interest rate) than a mainstream bank on a first mortgage."

Both Kalair and Scheinman, then, were doing business with clientele who, for various reasons, were willing to pay higher than standard fees.

When the two men met, Scheinman wasn't put off by Kalair's obvious adherence to Muslim traditions. (Kalair has a beard and wears the long tunic and kufi – cap – of traditional Muslim men.)

Says Scheinman: "I'm a firm believer in allowing people to practice their customs, as long as it's not harmful or affecting anybody else's life." He has friends "of all different cultures," including a Persian Muslim with whom he constantly discusses religious issues.

When his great-great grandparents came to Canada, "they came for the same reasons people are coming today: for the opportunities. They want to do things differently; they've left the problems behind. They enjoy being free. They want to live in peace and harmony."

Everybody is entitled to their own personal beliefs about what is ideal, in his view.

"I am a Jew, I support Israel as the Jewish homeland but I don't translate that view into negatives against Muslims or anybody else.

"I'm Canadian, not Israeli. I operate my business in Canada. I have no interest in importing conflicts from other parts of the world."

In his area in Richmond Hill, he often hears people complain about "all the Chinese signs." His response is: "How does that impact your life? Why should it bother you? I don't understand it. I believe that's a degree of racism."

Told that he sounds like a natural politician, Scheinman admits he's "thinking about running, eventually, as a Liberal, should my business continue to grow."

Which is happening, thanks in part to his relationship with Kalair, who ran into a group of Islamic investors associated with an Islamic school. The Mur-ul-Huda Academy had outgrown a rented Toronto District School Board building and wanted to buy a larger school for its expanding student population.

The Islamic group spotted a Korean Presbyterian facility in Etobicoke that was being vacated as the Korean group prepared to build a larger centre nearby.

"Omar's group of Islamic investors needed the financing to buy the building," Scheinman says.

It was a \$2 million deal, the biggest UM Financial had handled, and a big step forward for Kalair into commercial real estate.

Scheinman talked to his shareholders. "We've made the commitment and we're ready to go ahead," he says. "The deal fits our investors' needs and it's structured so that it's `kosher' for Muslims."

The deal closed last week, and Kalair is already on the move. Top of his agenda is training with Scheinman.

"Derek is going to teach us how to set up an investment company to structure commercial deals within the Muslim community."

UM Real Estate Investment Inc., as the new firm will be called, will be a mortgage investment corporation with rates of return of about 10 per cent. "People can put RRSP money in," Kalair says. "We are restricted to real estate mortgages. We can't buy stock or bonds."

Says Scheinman: "To me, business is business. If a business makes sense, I'm interested, regardless of who's behind it."