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Home Financing

Structure

**UM FINANCIAL**

January 2010

# WHAT IS ISLAMIC FINANCE ?

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Islamic finance takes social justice into consideration, that one party should not benefit at the expense of the other. In a well known Hadith from Bukhari, where Bilal (RA) brings some dates to the Prophet Muhammad (PBUH). The Prophet inquires about their quality. Bilal explains that he had to exchange two dates for each of the ones he presented to the Prophet. The Prophet explained that this is the essence of Riba.

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# BANKS

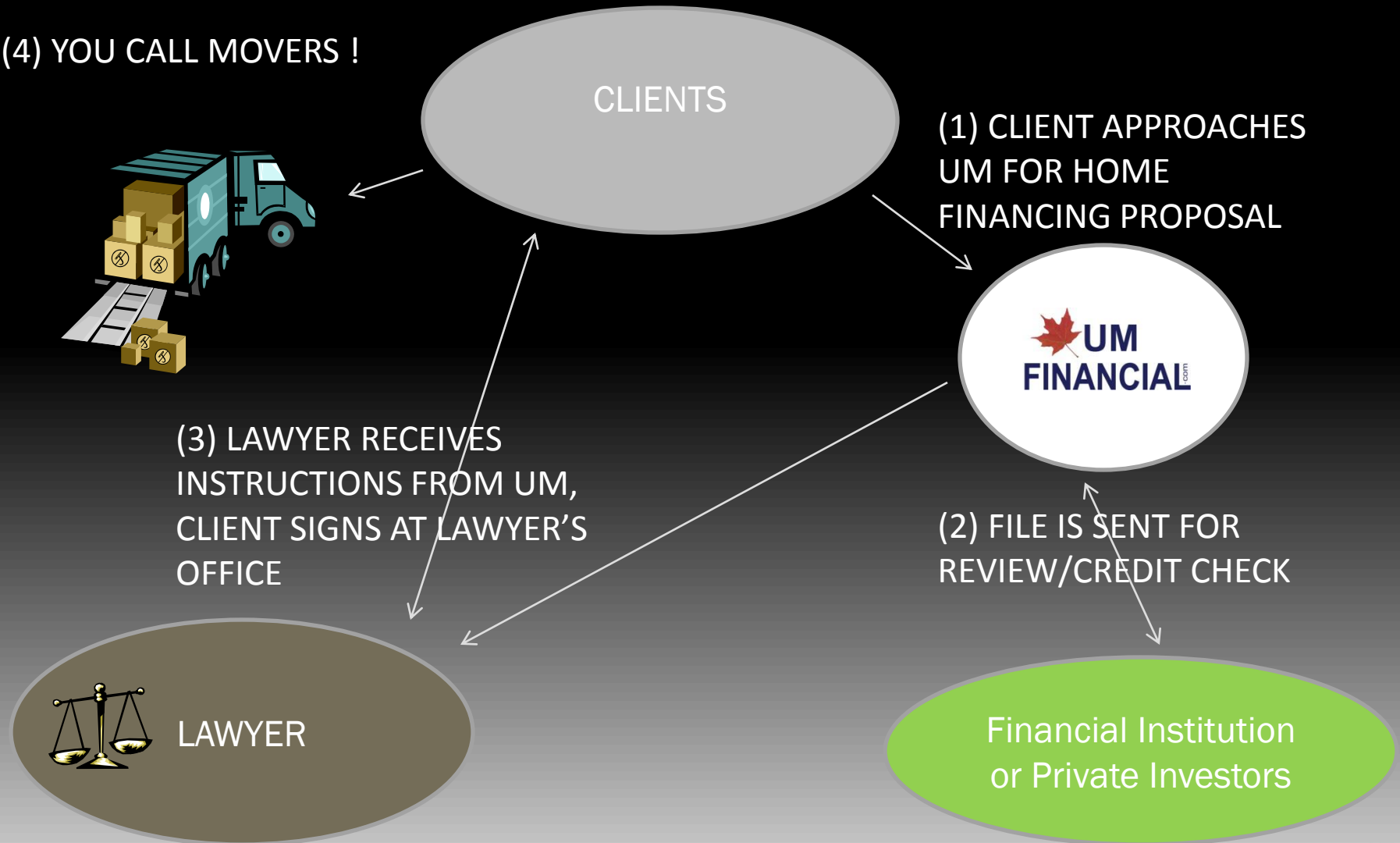
- ✗ Profit motivated
- ✗ In conventional financing, the emphasis is on debt instruments, such as mortgages, bonds, treasury bills.

# ISLAMIC FINANCE

- ✓ Profit + Loss Sharing
- ✓ Everything is asset back, i.e. houses, property, land, buildings, equipment, inventory.

# MORTGAGE PROCESS

(4) YOU CALL MOVERS !



# FACT VS FICTION 1

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- ✗ “Any sort of financing through banks is just as prohibited as taking out a bank mortgage”
- ✓ **Fact:** As long as the primary relationship is permissible, the deal is permissible. Prophet Mohammad (PBUH) himself dealt with non-Muslims.

*Narrated by Al-Amash: when we were with Ibrahim, we talked about mortgaging in deals of Salam. Ibrahim narrated from Aswad that Aisha had said, “The Prophet bought some foodstuff on credit from a Jew and mortgaged an iron armour to Him. (Bukhari 2256)*

# FACT VS FICTION 2

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- ✘ “UM Financial is paying financial institutions and private investors fixed interest.
- ✓ **Fact** - We have a partnership arrangement with our partners (either *mudharaba* or *musharaka*). They give us money interest-free. We invest it for them by doing a partnership with the buyer and return a fixed percentage of the profits to them. It is structured as a trade transaction and not an interest-based transaction.

# FACT VS FICTION 3

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- ✗ “Both banks and UM Financial offer similar products at similar prices, thus both are the same.”
- ✓ **Fact** - Halal meat and Haraam meat both have the same end result in substance, however one is Halal and the other is not.
- ✓ Another example is having a child within a marriage versus outside a marriage.

# FACT VS FICTION 4

*Banks*

- Lender / Borrower Relationship
- Documents State Interest Rate Charged
- Mortgage Security is Registered with Stated Interest Rate

*Alternative (Islamic)  
Financing*

- Joint Venture (Musharaka)
- Documents have No element of Interest
- Mortgage Security registered at 0%



# THANK YOU

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For more information, please:

- ❖ Visit our website at [www.umfinancial.com](http://www.umfinancial.com)
- ❖ Call us at 416.424.4100
- ❖ Or email us at [info@umfinancial.com](mailto:info@umfinancial.com)