

Contemporary Issues Related To Buying Real Estate

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First

FHA Loan-Comments

- **Necessity has to be proven:**
 1. Difficult to rent due to having a big family,
 2. Rent is expensive, increases rapidly
 3. lacking an Islamic mortgage to buy a house.
- **Case by case basis.**





Second

Financing with Construction Companies Directly

- Owner financing itself is allowed as a concept. It is an installment sale with a higher price.
- Construction companies have their own mortgage company.
- This transaction is identical with buying a foreclosed property from the owning bank.



Financing with Construction Companies Directly



- If the mortgage company is 100% owned by the construction company:
- It is an installment sale in reality. The loan agreement is a nominal contract that has no reality, thus, the transaction is permissible.



Financing with Construction Companies Directly

- Construction company can NOT own more than 70% of the mortgage company !
- Due to a clear conflict of interest “Uprising & financing same property”
- Knowing that the debt will be sold to a third party doesn't diminish the permissibility of this transaction. not the dealings of others.

Third Buying Mortgaged House Directly from its Owner- Comments



- It would be more religiously precautions to pay the amount to the seller and have him deal with paying off the mortgage to avoid assisting others in sin.
- The prohibition of buying the (debt) is evident because it involves interest.



Fourth Financing with Conventional Banks who Have Sharia Compliant Options-Comments

- The Prophet PBUH did business with the polytheists of Makkah and the Jews of Madinah
- Soundness of transactions have to be proven, however.



Fifth Refinancing



- Refinance is the replacement of an existing debt obligation with another debt obligation under different terms
- It follows the same Islamic rulings for financing
- Refinance via *Murabahah* or *Musharakah* or *Ijarah* agreement is Halaal
- If agreement is truly a shariah compliant.



Fifth Refinancing

- If he financed initially with Islamic mortgage, then refinanced with the same company, then there is no new contract, rather a modification of the original agreement that entails debt reduction, or low profit rate, or adding more equity to the client due to the market value increase, ...or so.