ISLAMIC FINANCING, INVESTING AND BANKING IN AMERICA

HISTORY, CURRENT SITUATION AND CHALLENGES

ISNA
Islamic Banking & Finance 2000
July 15, 2000 Long Beach, Ca

ISLAMIC FINANCE IN AMERICA

THE VISION

– HELP MUSLIMS LIVE IN AMERICA WITHOUT RIBA, AND SERVE ALL AMERICANS OF ALL BACKGROUNDS.

– BUILD FINANCIAL INSTITUTIONS THAT BIND THE COMMUNITY TOGETHER BY OFFERING INVESTMENT AND FINANCING SERVICES AS A TOOL OF PUTTING LIFE IN ISLAMIC VALUES, WAYS & MEANS.
ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA

THE MISSION

BUILD AN ISLAMIC FINANCE, BANKING & INVESTMENTS SYSTEM IN A WORLD RUNNING AND OPERATING BY RIBA

ISLAMIC FINANCING IN AMERICA

FINANCING HISTORY

– 1988 - Albaraka Bancorp in California
– 1996 - Harvard Islamic Finance Program, HIFIP
– Other Smaller Institutions in Leasing
ISLAMIC FINANCE IN AMERICA

FINANCING & INVESTING:

- Financing: Homes, Construction, Leases for Cars & Equipment

- Investing: Only Limited to Accredited Investors & Use of a Limited Partnership Format

THE MARKET: Home Financing


- Estimated Demand: 10,000 Households for Mortgages or about $1000 Million
ISLAMIC FINANCE IN AMERICA

THE MARKET – AUTOS, EQUIPMENT & SMALL BUSINESS

- AUTO LEASES: At Least 10,000 Automobiles per year or Approximately $200 Million

- EQUIPMENT LEASES: At Least 500 Units in the Fields of Medical & Dental Services and Franchise Fast Foods or Approx. $100 Million

- SMALL BUSINESS

ISLAMIC INVESTING IN AMERICA

INVESTMENTS

- 1986 & 1994 STOCK MARKET INVESTMENTS – AMANA FUNDS BY ISNA/NAIT -
- 1986 – 1987 ACCREDITED INVESTORS AT MSI & AMERICAN FINANCE HOUSE - LARIBA
- 1998 - THE DOW JONES ISLAMIC INDEX
- 1998 - THE INTERNATIONAL INVESTOR
ISLAMIC FINANCING & INVESTING IN AMERICA

RIBA FINANCIAL SERVICES IN AMERICA

- Huge Capital Availability.
- Highly Regulated Banking Industry.
- Highly Liquid Market for Loans that Comply with Government Standards.
- Intricate Tax Laws.

ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA

CHALLENGES

1. CAPITAL

- Ability to Own A Depository Institution
- Ability to Securitize The Loans
- Ability to Raise Funds from The Public
2. THE AMERICAN VALUE OF SEPARATION OF STATE & CHURCH

3. DEVELOP SHARI’AA RULES THAT TAKE IN CONSIDERATION THE TAX SYSTEM AND REGULATORY & LEGAL RULES IN THE AMERICAN FINANCIAL AND BANKING SYSTEM
ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA

CHALLENGES

4. THE HUMAN FACTOR

- STEREOTYPING
- SUSPICIONS ABOUT A RELATIVELY NEW RELIGIOUS GROUP IN AMERICA
- UNFORTUNATE INTERNATIONAL EVENTS TIED TO ISLAM & MUSLIMS
- TRUST BY FELLOW MUSLIMS IN THE COMMUNITY

THE CHALLENGES OF OFFERING ISLAMIC FINANCIAL SERVICES IN AMERICA

RECOMMENDATIONS

USE THE INTERNATIONAL BANKING TERMINOLOGY

- MURABAHA – COST-PLUS-FINANCING
- MUSHRANKA – JOINT VENTURE
- IJARA – LEASING
- IJARA WA IQTINAA – LEASE-TO-PURCHASE
THE CHALLENGES OF OFFERING ISLAMIC FINANCIAL SERVICES IN AMERICA

RECOMMENDATIONS

- INTENSIVE FAMILIARIZATION & EDUCATION PROGRAMS TO TEACH THE REGULATORS, THE BANKERS & THE PUBLIC AT LARGE
- PATIENCE, HUMBLENESS & LOW KEY

WHAT IS ISLAMIC BANKING?

CREDIT IS A BASIC HUMAN RIGHT

- Socially Responsible Ethical Banking
- Asset-Based Financing
- A Commodity, Tangible Asset &/or Service Must Change Hands
- Investments in Specific Activities
- Community Development