

# Prospects, Problems and Challenges of Islamic Financial and Banking Services in the USA

By

Dr. Yahia Abdul-Rahman, Founder,  
American Finance House LARIBA

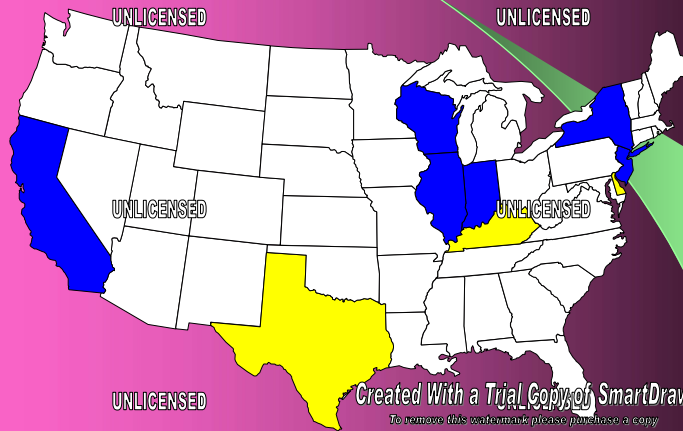
&

Mike Maguid Abdelaaty, President,  
American Finance House LARIBA

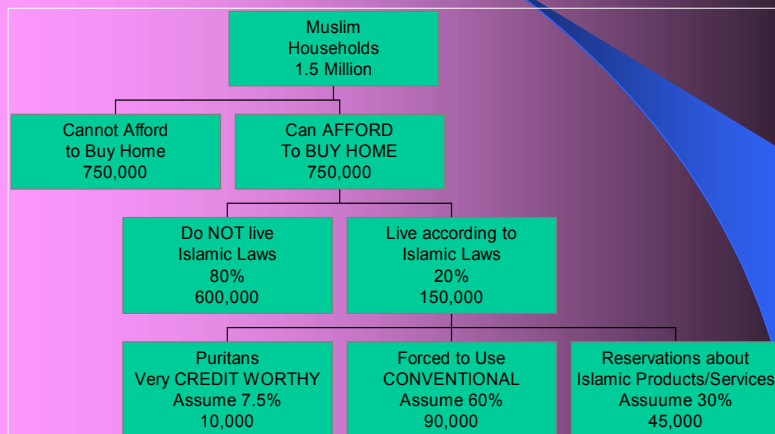
## Agenda

- The Market
- Segmenting the Market
- Sizing the Market Segments
- Profile of Market Entrants
- Potential Alternative Model (Murabaha)
- Problems & Challenges
- Proposed Solutions
- Conclusion

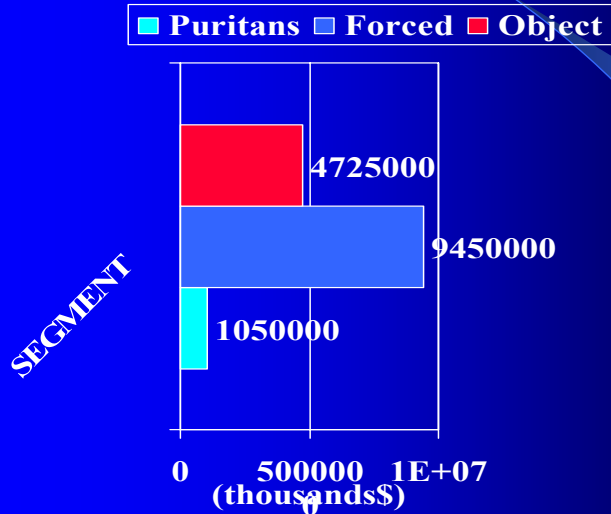
# THE MARKET



# Market Segmentation



## Residential Mortgage Market Sizing the Segments



## U.S. Competitors

	AFH LARIBA	MSI	Al-Manzil
Funding	Investors	Investor / Borrower L.P.'s	United Bank of Kuwait
Model	LTP / Declining Equity	Shared appreciation (RTO)	Rent to Own (RTO)
Title	Borrower	Joint	Lender
Payment Calc.	RonC RofC	Yearly appraisal	LIBOR

## U.S. Competitors (cont.)

	AFH	MSI	Al-Manzil
Prepayment	No penalty ; partial pre- payment	Up to 20% of price annually	Need consent and purchase all
Maintenance Costs / Taxes	Borrower	Shared tax/ insurance. Borrower maintenance	Borrower. Takaful Insurance
Tax Deduction	Form 1098	None	Form 1098
Share of Gains / Loss	Borrower	Shared	Borrower

## Murabaha Model

- Cost Plus Model
- Instant Transfer of Title
- Capital Gain for the Financing Entity
- Inaccurate, disadvantageous cost basis for buyer.

## Problems & Challenges

- “Islamic”
- Cost (Mark to Market)
- Limited Products
- Definition
- Channel Issues
- Communication
- Awareness
- Training

## Proposed Solutions

- Common equivalent terms
- Training Muslim American Bankers
- Community Reinvestment Approval

## Conclusion

- Enormous Demand ; Little Supply
- Potential for Exponential Market Growth
- Delineate Authority
- Tradition of Innovation must be inclusive