

LARIBA (Faith-Based) FINANCING MODEL

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AGENDA

- Description of the Model
- Faith Basis
- Application of Model
- Benefits of the Model
- Payment Calculation
- Documentation
- Conclusion

DESCRIPTION of MODEL

We utilize the concept of “Lease-To-Purchase”
(Ijara Wa Iqtinaa)
to structure its financing products.

FAITH BASIS

Concept that Money can be made made from
INVESTMENT not from LENDING
which is considered a charitable event in
most faiths.

Returns should be based on the Market
value(Marking-to Market) of the Asset to
be financed).

APPLICATION OF THE MODEL

The model assumes that AFHL would purchase the property jointly with the client and would agree to sell its share/capital to the client over a mutually agreed upon period of time (“Financing Period”) at cost. In case of refinancing, AFHL conceptually buys the share of the existing lender.

BENEFITS OF THE MODEL

Payment calculation is based on the Market Rental Value of the Property instead of a predetermined interest rate.

Determination of the attractiveness of the investment to both parties, unlike a bank loan

PAYMENT CALCULATION

Monthly payment consists of:

- 1) an amount to repurchase the share of AFHL, (REPAYMENT OF CAPITAL- RofC”), and,
- 2) an amount to compensate AFHL for its share of the rental value (Return on Capital – RonC).

WE NEVER START FROM A PREDETERMINED INTEREST RATE

PAYMENT CALCULATION- Cont'd

Determination of Repayment Of Capital - RofC:

The MINIMUM amount of AFHL's share required to be paid each month is based on the agreed upon term for financing. For homes we can finance up to 30 years.

PAYMENT CALCULATION- Cont'd

Determination of Return On Capital - RonC:

- 1) Determine the Market Rental Value by both AFHL and Client (3 estimates each)
- 2) Agree on an allocation of the rental value between AFHL and Client
- 3) RonC share of AFHL declines monthly as its Capital declines Monthly RofC payments made by Client

PAYMENT CALCULATION- Cont'd

Determination of Investment Acceptability:

- 1) Rate of Return is SIGNIFICANTLY higher than Investor's expectations
- 2) Rate of Return is SIGNIFICANTLY lower than investor's expectations
- 3) Rate of Return is SLIGHTLY lower than investor's expectations

Investors= Freddie Mac, Fannie Mae and others entities

HOME FINANCING EXAMPLE

Assumptions:

Price: \$150,000; Down: 20%; Term: 15 yrs., Rent:\$1,000

Month	RonC	RofC	Payment	Balance
Beg.				\$120,000
1	800	347	1,147	119,653
2	768	349	1,147	119,304
...
180	7	1,140	1,147	0

DOCUMENTATION of MODEL

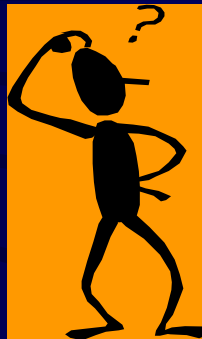
In order to comply with Federal and State laws relating to Disclosure (Truth-in-Lending, Regulations Z, etc.), AFHL uses the standard, industry-accepted, financing documentation.

A LARIBA Financing Agreement that describes the relationship between of each party and describes the approach used and basis for calculating the monthly payments supplements the standard documentation used.

CONCLUSION

- Faith-based, Socially responsible model of financing
- Rate of return is based on market value rental
- Assess/advise on the investment attractiveness
- Cost Competitive to Riba loans

Q & A



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