Assembly of Muslim Jurists of America (AMJA)
Resident Fatwa Committee Resolution
Concerning Islamic Home Financing in the United States

In the Name of Allah, the Most Compassionate, the Most Merciful

All praise is due to Allah alone, and may peace and blessings be upon the Messenger of Allah. To proceed:

The AMJA Resident Fatwa Committee met in Houston on 20–22 Dhul-Qa'dah 1435 AH (September 15–17, 2014 CE) to issue a resolution concerning Islamic home financing in the United States. This meeting followed a prior conference on the subject in which papers were presented and representatives of relevant financing companies participated. Correspondence was subsequently conducted with those companies to clarify and address the Shariah issues present in their contracts.

After deliberation, the Committee, according to the majority of its members, adopted the following resolution:

First: Foundational Principles Regarding Companies Engaged in Islamic Home Financing

Companies offering Islamic home financing in the United States may be classified into three categories:

1. Companies whose contracts are, in general, consistent with the Shariah
These companies are not dependent on selling their contracts to federal interest-based institutions, which allows them greater freedom to structure agreements in accordance with Islamic law. Their capacity, however, is limited.
Ruling: It is permissible to deal with and purchase homes through such companies.

2. Companies whose contracts generally avoid explicit interest (riba)
These companies do not engage in interest-based loans. Instead, they employ contracts that are permissible in principle under the Shariah, such as Murabaha (cost-plus sale to the purchase orderer), Musharakah (diminishing partnership), and Ijarah (lease-to-own).

While their contracts seek to avoid prohibited transactions, they may contain certain defective or problematic elements, including invalid conditions, inequity, excessive uncertainty, or other Shariah deficiencies. In order to serve the broader Muslim community, many of these companies must sell their contracts to federal institutions, which impose restrictions that can introduce further complications.

Ruling: There is an exemption allowing individuals to deal with such companies in cases of need or dire need. The severity of the need and the intensity of any remaining deficiencies must be taken into account.

Those who are able to find a fully compliant alternative and refrain from dealing with these companies will have protected their faith and honor. Companies in this category are encouraged to continue refining their contracts to eliminate remaining shortcomings.

3. Companies that continue to deal in interest-based loans
Their contracts are essentially conventional interest-based arrangements or impermissible legal devices designed to circumvent the prohibition of riba.
Ruling: It is not permissible to purchase homes through such companies. Those responsible for these contracts are advised to revise them so that they conform to the Shariah.

Second: Scope of the Ruling

This ruling applies to individuals who wish to finance the purchase of real estate through the contracts currently in use. Any material change in the contracts or in the manner of their execution would require a new evaluation.

Third: The Concept of "Need"

"Need" refers to that which is required by an individual or society to remove hardship and difficulty beyond the ordinary burden expected by the Shariah. The Committee regards homeownership as a general need of the Muslim community in America. The determination of need for any specific individual depends on the availability of suitable alternatives, such as the ability to rent without undue harm.

Fourth: Application to Murabaha Structures

With respect to financing arrangements structured as **Murabaha (cost-plus sale to the purchase orderer)**, the following principles apply:

- The financing institution must genuinely acquire ownership of the asset before selling it to the customer.
- The cost and the profit margin must be clearly disclosed and agreed upon.
- The total sale price must be fixed and known at the time of the Murabaha contract.
- The transaction must not contain invalid conditions, excessive unfairness, or elements that effectively transform it into an interest-bearing loan.

Where a Murabaha contract contains unresolved doubts regarding true ownership prior to sale, or includes defective or inequitable conditions, the Committee rules that dealing with such a contract is permissible **only in the presence of dire need**. Those who refrain from it will have safeguarded their religion and honor. Institutions offering such products are advised to correct any deficiencies, confirm genuine ownership before the sale, and eliminate invalid conditions to the greatest extent possible.

Closing

And Allah knows best.

Issued by the Resident Fatwa Committee of the Assembly of Muslim Jurists of America (AMJA)
Houston, Texas
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