

Declining Balance Co-Ownership Home Acquisition Program

Product Fatwa (1 of 3)

We, the Shariah Ethics Board of Zero have examined the documents of the Declining Balance Co-Ownership Home Acquisition Programs including documents to be signed by funding partners whom Zero has contracts with, all of which are required for each program.

We have reviewed these documents and the purposes for which they have been designed, namely:

1. to assist Muslims and others residing in the Canada to acquire their homes in compliance with Shariah,
2. to enjoy the tax benefits and fair treatment accorded by the federal government to home owners,
3. and for the investors to securitize their ownership investment in homes.

The basic concept behind these contracts and documents is that the property is purchased in joint ownership between Zero and the person who requires finance (the Consumer). The Consumer makes monthly payments which are comprised of Profit Payments and Acquisition Payments.

Profit Payments represent the Consumer payments for the enjoyment and use of the whole property, while Acquisition Payments represent the Consumer's payments for his acquiring the Co-Owner's interest in the property.

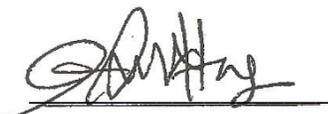
It has been ascertained by the Shariah Ethics Board that the documents comply with the Shariah requirement for a valid "Diminishing Musharakah" arrangement, some of the reasons are:

1. Both parties benefit and bear the risks of their respective shares in the property throughout the contractual arrangement.
2. Zero and the consumer both are legal partners on these properties where legal contracts are signed and these contracts are then used to place a security on these properties. The Musharakah contracts are connected directly to the property.
3. Zero Diminishing Balance Co-Ownership Home Acquisition Contracts are the first contracts signed by the client.
4. The funding partner of Zero has a contract agreeing to this process and to Shariah principles such as not financially benefitting from late payments, taking advantage of those in distress, etc. Zero though its legal security on the property will ensure that Shariah principles are applied if the property goes into default.

The documents signed for “Replacement” are meant for a situation where a person has already acquired a property and wishes to enter into a Shariah compliant arrangement. In this case, he will sell a share of his property to the Co-Owner, and then both parties will have the same arrangement of “Diminishing Musharakah” as detailed above. Since the units of property will be purchased by the consumer under this arrangement at cost, and without increase, there is no element of ‘ina in this arrangement.

After reviewing the mechanism as well as the agreements and documents, and after suggesting amendments that have been incorporated, the Shariah Ethics Board is of the view that given the circumstances prevailing in Canada, this arrangement conforms to the rules and principles of Shariah; and therefore, Muslims may avail themselves of this opportunity to acquire homes and properties by means of this method.

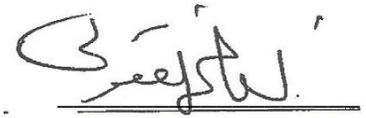
And only Allah knows best.



Dr. Aznan Hasan



Mufti Dr. Muhammad
Zubair Usmani



Sheikh Nizam Yaqubi