

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Declining Balance Co-Ownership Home Acquisition Program

Product Fatwa

(Fatwa 1 of 3)

We, the Zero Shariah Advisory Board, 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 Canada to acquire their homes in compliance with Shariah,
2. to enjoy the tax benefits and fair treatment accorded by the federal government to homeowners,
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 purchasing of the Co-Owner’s interest in the property.

It has been ascertained by the Zero Shariah Advisory Board that the documents comply with Shariah requirements for a valid “Diminishing Musharakah” arrangement; some of the reasons are:

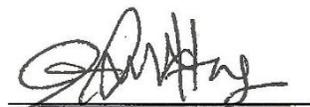
1. Both parties benefit and bear the risks of their respective shares in the property throughout the contractual arrangement.
2. Zero and the consumer both are legal partners on these properties where legal contracts are signed and these contracts are then used to place a security on these properties. 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. The monthly payment includes a Profit Payment (Usage fee) similar to rental fee for full usage of the home, and the other part of the payment is to increase the equity ownership of the property.
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 through its legal security on the property will ensure that Shariah principles are applied if the property goes into default.

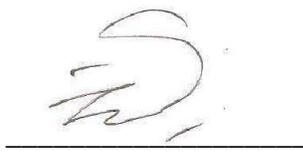
The documents signed for “Replacement” are meant for a situation where a person has already acquired a property and wishes to enter into a Shariah compliant arrangement. In this case, he will sell a share of his property to the Co-Owner, and then both parties will have the same arrangement of “Diminishing 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 Zero Shariah Advisory 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.

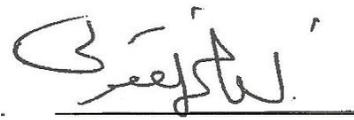
And only Allah knows best.

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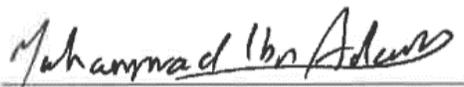
Dr. Aznan Hasan

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Mufti Dr. Muhammad
Zubair Usmani

A handwritten signature in black ink, appearing to read "Sheikh Nizam Yaqubi", written over a horizontal line.

Sheikh Nizam Yaqubi

A handwritten signature in black ink, appearing to read "Mufti Muhammad Ibn Adam", written over a horizontal line.

Mufti Muhammad Ibn Adam
(Added Signatory 2020)

A handwritten signature in black ink, appearing to read "Mufti Ismail Ebrahim Desai", written over a horizontal line.

Mufti Ismail Ebrahim Desai
(Added Signatory 2020)