



Halal Financing Program Training



Program Overview



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For devout strict Orthodox clients, Sharia law prohibits traditional mortgages because of the prohibitions on interest and unequally shared risk. Our Halal Financing Program is an asset-based financing method that establishes a lessor-lessee (rent-to-own) relationship rather than a creditor-debtor relationship.

Advantages

- Sharia law compliant
- Pairs with any eligible Fannie Mae and Freddie Mac loan products

Uses

Helps strict Orthodox borrowers gain access to homeownership





Methodologies

Murabaha

Deferred Sale Finance
(Installment Sale)

Ijara wa Iqtina

Lease with an Acquisition
(Rent To Own)

Musharaka

Joint Venture
(Declining Balance Co- Partnership)

Luminate Bank is focused on Ijara lending, creating a rent to own situation for the borrower and avoiding Riba. Ijara loans are legal under US banking regulations and comply with TILA.





Key Terms

Halal Financing

A faith-aligned approach to homeownership that follows Islamic law (Sharia), avoiding any form of interest-based (Ribâ) transactions.

Ribâ (Interest)

Any predetermined or guaranteed increase on borrowed money – considered unjust gain and prohibited under Sharia principles.

Ijara (Lease-to-Own)

The structure used in Halal Financing. The property is purchased by a trust, which leases it to the buyer. Each monthly payment includes a rental portion and an ownership portion, allowing the buyer to build equity until they fully own the home.

Inter Vivos Revocable Trust

A living trust created during the buyer's lifetime that holds legal title to the property. The buyer serves as both Grantor (creator) and Trustee (manager), while Ijara CDC acts as Co-Trustee to manage documentation and compliance.

Ijara CDC (Ijara Community Development Corp)

The national partner that establishes and administers the trust. They ensure the financing remains Sharia-compliant and handle annual escrow reviews, property-tax adjustments, and insurance updates.

Beneficiary

The buyer who lives in the home and benefits from it – holding beneficial ownership while gradually acquiring full title.





Program Highlights



Product Highlights: Conventional

Eligible Transactions

- Purchase
- Limited and Full Cash-Out Refinance

Eligible Occupancy

- Principal Residence
- Investment Property
- Second Homes

Eligible Properties

- 1-4 Units
- SFR
- FNMA approved Condo or PUD

Conventional Loan

- Fannie Mae or Freddie Mac Underwritten Loan
- Conforming Loan Amount
- No special product codes needed

Loans Type

- Approved Fannie/Freddie products
- *HomeReady/HomePossible
- My Community Programs

Loans Terms

- Fixed Rate
- Hybrid ARMs

*Less than 5-year term not eligible



Product Highlights: FHA/VA

Eligible Transactions

- Purchase
- FHA Limited and Full Cash-Out Refinance
- VA Cash-Out

Eligible Occupancy

- Principal Residence

Eligible Properties

- 1-4 Units
- SFR
- FHA/VA Condo or PUDs

FHA/VA Loan

- Fannie Mae or Freddie Mac Underwritten Loan
- FHA Loan Limit
- No special product codes needed

Loans Type

- Approved FHA/VA products

Loans Terms

- Fixed Rate
- 5/1 Hybrid ARMs



Understanding the Process

Luminate Bank has partnered with Ijara Community Development Corp. to establish an Inter Vivos Revocable Trust which becomes the owner of the subject property and then the Trust leases the property to the borrower. The borrower pays a portion of the purchase price every month as rent.



*The buyer is both Grantor and Trustee of the trust.
Ijara CDC is added as Co-Trustee to handle lease and purchase paperwork.*



Product Requirements

Inter Vivos Revocable Trust

An inter vivos revocable trust is a trust that:

- an individual creates during his or her lifetime;
- becomes effective during its creator's lifetime; and
- can be changed or canceled by its creator at any time, for any reason, during that individual's lifetime.

Fannie Mae/Freddie Mac will accept an inter vivos revocable trust that has an ownership interest in the security property as an eligible mortgagor (a party to the security instrument) for all transaction types, property and occupancy types.



Trust Fees



Ijara Community Development Corp. fee schedule:



Scenario	Ijara Pricing	
1. If the loan amount lower than \$100k	\$	1,295.00
2. If the loan amount between \$100k - \$200k	\$	1,995.00
3. If the loan amount between \$201k - \$300k	\$	2,495.00
4. If the loan amount between \$301k - \$417k	\$	2,995.00
5. If the loan amount between \$418k - \$625k	\$	3,995.00
6. If the loan amount over \$626k	\$	6,295.00
7. If two loans on one property, the first loan based upon above schedule, 2 nd loan is \$625	\$	625.00

Additionally, Ijara CDC charges \$15 per month to administer the trust. This fee is not a loan cost.





Frequently Asked Questions





FAQ: Purchase Agreement

Q1: What if the trust hasn't been created when we write the offer?

A: If the buyer's trust isn't created yet, the offer can be written in the buyer's personal name – but include an addendum stating:

"Title to vest in an Inter Vivos Revocable Trust established through Ijara Community Development Corp prior to closing."

This makes it clear to all parties – seller, title, lender, and underwriter – that the final title will be in the name of the trust.

Q2: How should the Purchase Agreement be written if the trust is already established?

A: The buyer should be listed as the trust, not the individual. Write it like this:

"123 Main Street Intervivos Revocable Trust (by Trustee John Doe)"

This is important because in Halal financing, the trust is the legal buyer – not the person. The trust is created to hold the property and lease it back to the borrower in a Sharia-compliant, rent-to-own structure.

Q3: Who signs the purchase agreement?

A: The Trustee(s) – not the individual buyers – sign on behalf of the trust. Each buyer is both the grantor (creator) and trustee (manager) of their trust, so their signature should read like this:

John Doe, Trustee of the 123 Main Street Intervivos Revocable Trust

***UNLESS - the trust has not been created at the time of PA signing, in which case the buyer would sign their name as normal, and get an addendum to correct.

Q4: What happens at closing, and who technically owns the home?

A: At closing, the **trust takes title** to the property.

Afterward, the borrower makes monthly "rent" payments that include a portion building ownership until the home is fully theirs.

This satisfies both Sharia requirements (no interest) and U.S. lending laws while keeping the transaction transparent and compliant.





FAQ: General Questions

Q1: Who Sets up the Trust?

A: Our team coordinates directly with Ijara Community Development Corp (Ijara CDC) to establish the trust once the loan is in process. Our team manages communication between Ijara, title, and the buyers to ensure the trust is reviewed, signed, notarized, and ready before closing.

Q2: How long does it take to set up the trust and get ready to close?

A: Because the trust must be reviewed, notarized, and signed by multiple parties, the trust process can take up to 15 business days to be fully executed.

We typically recommend allowing 30-45 days from purchase agreement to closing to ensure enough time for document review, title coordination, and scheduling notarization.

Our team handles all of this behind the scenes and keeps both the buyer and Realtors updated throughout.

Q3: Are there any restrictions on property types or locations?

A: Eligible properties include:

- 1-4 unit homes
- Condos and PUDs approved by Fannie Mae, FHA, or VA
- Primary residences, second homes, and investment properties

Q4: How should Realtors explain this program to clients, title, or the listing side?

A:

“It’s a Sharia-compliant rent-to-own structure that allows buyers to purchase a home without paying interest. The property is held in a trust during the lease period, and ownership transfers to the buyer over time.”

You can also reassure other parties that:

- Our team is here to help explain and guide the process. They are welcome to reach out directly anytime with questions
 - The structure is recognized by Fannie Mae/Freddie Mac and fully compliant with U.S. lending laws.
 - All documents are notarized and verified before closing.
 - Our Luminate lending team coordinates everything with Ijara CDC and title to ensure a smooth transaction from start to finish.
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FAQ: General Questions

Q5: Can the buyer pay the loan off early?

A: [Yes. Buyers can pay off their loan early with no prepayment penalty.](#) Because this program is structured as a lease-to-own agreement through a trust, early payoff simply means the buyer completes the purchase portion of the agreement sooner.

[Once paid in full, title can transfer out of the trust and into the buyer's personal name, completing the ownership process.](#)

Q6: Can the buyer pay extra toward the principal each month?

A: [Yes, buyers can make additional payments toward their ownership portion at any time.](#)

While there isn't a "traditional principal balance," the extra funds are applied toward the purchase portion of the lease, helping the buyer build equity faster and shorten the term.

Q7: Can the buyer refinance this loan later on?

A: Yes. Once the buyer has built sufficient ownership in the home, [the trust can refinance or transfer to a conventional mortgage if desired.](#)

When that happens, the property is retitled out of the trust into the buyer's personal name, and the new financing pays off the lease balance.

Q8: How do payments change when property taxes or insurance adjust each year?

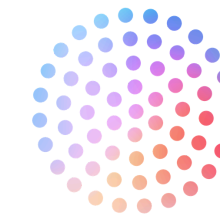
A: Each year, the Investor/Lender runs an Annual Escrow Analysis Report to review what was paid for property taxes and homeowners insurance during the prior year and what is projected for the year ahead.

[If taxes or insurance have increased or decreased, the monthly payment is adjusted accordingly to ensure the escrow portion remains accurate.](#)

This process functions just like a traditional mortgage escrow review – but in this case, Ijara CDC and the Investor/Lender handle the recalculation as part of the trust's annual servicing and administration.



Lets Keep the Conversation Going!



Luminate Bank®



**SCAN TO DOWNLOAD
THE APP!**



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What is Ribâ?

- Ribâ is generally defined as Interest
- Semantically, Ribâ means an excess or an addition
- Profit, however, is allowed

Definition:

Ribâ Al-Fadl - an unlawful excess in the exchange of two counter-values where the excess is measurable through weight or measure. The concept is based on some ahadith according to which if gold, silver, wheat, barley, dates, and salt are exchanged against themselves, they should be spot and be equal and specified.



Product Requirements

Luminate Bank has partnered with Ijara Community Development Corp. to establish an Inter Vivos Revocable Trust which becomes the owner of the subject property and then the Trust leases the property to the borrower. The borrower pays a portion of the purchase price every month as rent.

1. We work with Ijara CDC to set up Inter Vivos Revocable Trust
2. Loan closed in Trusts name & Trust purchases the property
3. Borrower provides down payment to Trust which serves as an advance rent payment
4. Borrower pays a percentage of the price every month as rent until the purchase price is paid off
5. Borrowers' percentage of ownership increases each month
6. When a customer wishes to move out of the house, the Trust is obligated to sell the property to the borrower under the terms of a promise to purchase (profit is allowed)