

A photograph of a modern, single-story house at dusk. The house has a dark roof and light-colored siding. A large deck with outdoor furniture is visible. The scene is lit with warm interior and exterior lights, creating a cozy atmosphere. The background shows trees and a dark sky.

guidance
RESIDENTIAL

MODERN FINANCE
TIMELESS VALUES

CREATING OPPORTUNITIES

Home ownership is considered to be an essential part of the American Dream. In America, home ownership leads to stronger, healthier and safer communities. Students of home owners score better on academic tests and graduate at a higher rate. Before Guidance Residential, a modern riba-free solution was not available for Muslims to participate in the American Dream of home ownership.

FOUNDING FATHERS ON RIBA



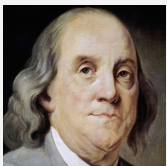
“There are two ways to conquer and enslave a nation. One is by the sword. The other is by debt.”

John Adams



“I believe the banking institutions are more dangerous to our liberties than standing armies... The modern theory of the perpetuation of debt has drenched the earth with blood, and crushed its inhabitants under burdens ever accumulation.”

Thomas Jefferson

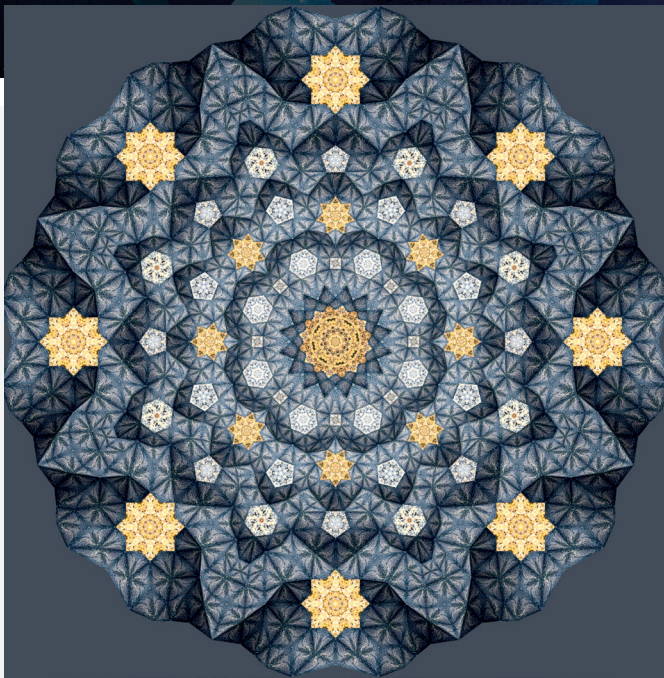


“Rather go to bed without dinner than to rise in debt.”

Benjamin Franklin

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ABRAHAMIC FAITHS ON RIBA

“Do not charge your brother interest, whether on money or food or anything else that may earn interest”

Deuteronomy 23:19

“Do not take interest of any kind from him, but fear your God, so that your countryman may continue to live among you.”

Leviticus 25:36

“If you lend money to one of my people among you who is needy, do not be like a moneylender; charge him no interest.”

Exodus 22:25

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ISLAM ON RIBA

“Those who take unlawful interest will stand before God (on the Day of Judgment) as those whose minds have been corrupted by the influence of Satan. They say that commerce is just like interest. But God has made commerce lawful and has forbidden interest.”

[Qur'an 2:275](#)

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا
يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنْ
الْمُسِّ ۚ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ
الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۗ

UNDERSTANDING SHARIAH-COMPLIANCE

Guidance Residential programs and services are consistent with the principles of Shariah (Islamic law) that prohibit interest or usury.



WHAT IS RIBA?

- Riba, or “interest,” is a profit made from a lending and borrowing transaction
- Money has no Intrinsic Value
- Money as a Means of Exchange

WHAT IS PERMISSABLE?

- Loan with profit (charity)
- Trade
- Buy — Sell

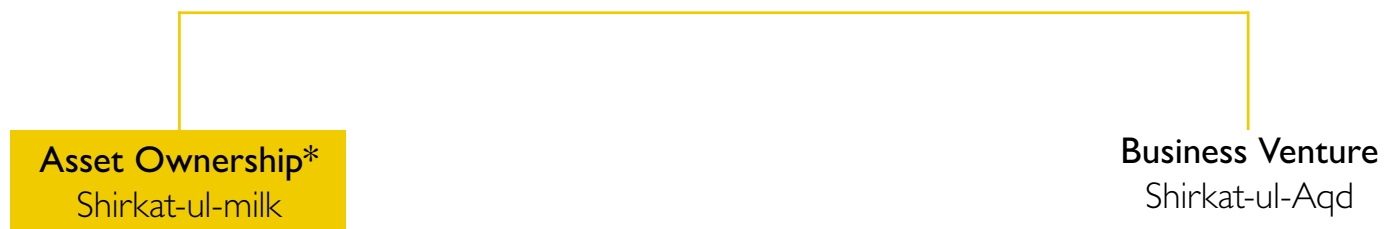
METHODS OF ISLAMIC FINANCING

Shariah-Compliant Contracts



INSTRUMENTS OF ISLAMIC FINANCING

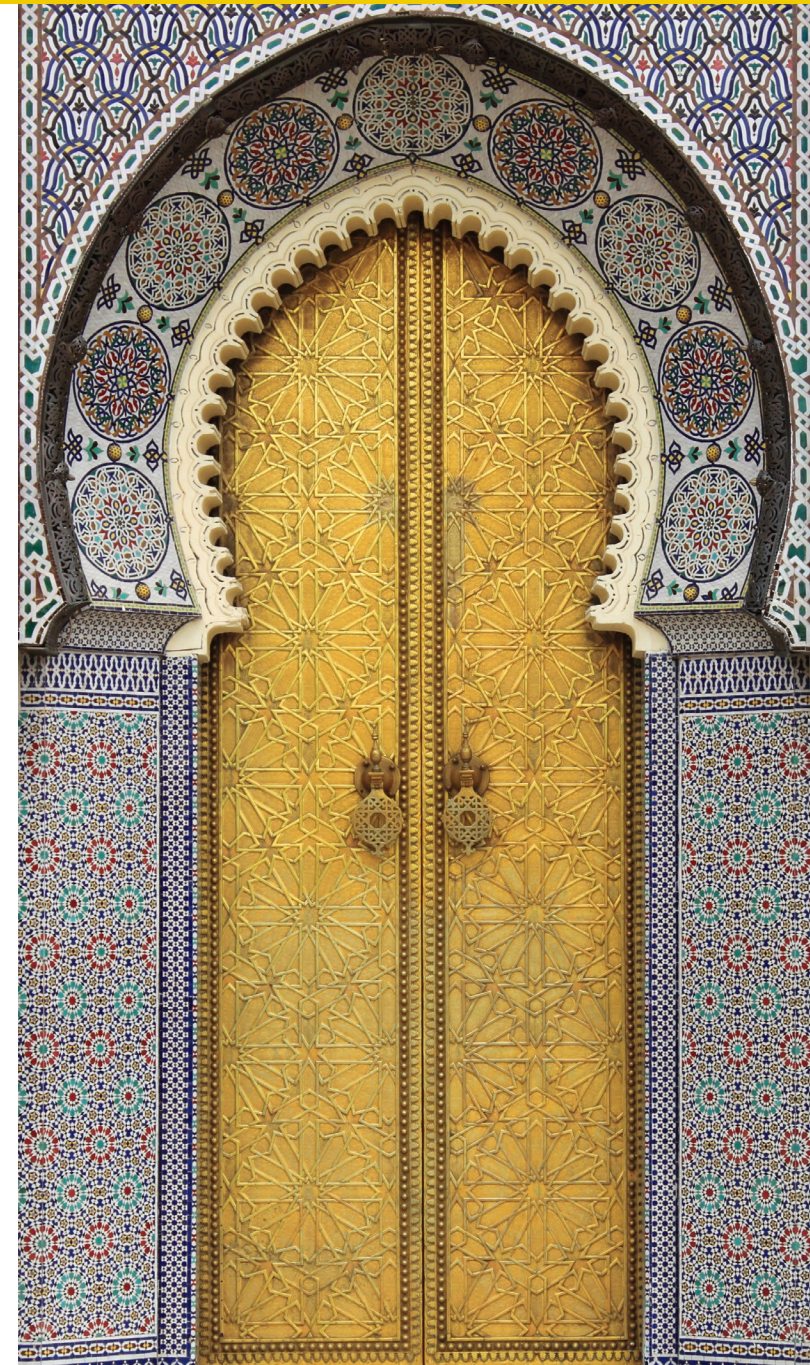
Musharaka
Partnership



*The Guidance model

BENEFITS OF MUSHARAKA

- **Approved by an independent Shariah board** consisting of world renowned scholars.
- **Non-Recourse Commitment:** In the event the customer defaults, Guidance does not have recourse against the customer's personal assets.
- **No Pre-Payment Penalty:** If a customer makes advance payments, the ownership will increase more rapidly and will shorten the remaining term of the contract, with no penalty against the customer.
- **Shared Risk:** The risk is shared if the property is lost in the case of a natural disaster, or a public service project initiated by the government forces you out of the property. In this situation the proceeds provided by insurance or government are shared based upon the percentage of ownership at the point of the loss. In a similar situation, conventional loan providers will apply the proceeds to pay off the loan without any allocation.
- **Capped Late Payment Fee:** Late payments are subject only to a capped fee up to \$50, which covers the expenses involved in administering a late payment.



SHARIAH COMPLIANT VS CONVENTIONAL MORTGAGE

Understand the differences between Guidance Residential's Shariah-Compliant Declining Balance Co-Ownership Program and a Mortgage Loan

MORTGAGE LOAN



The home buyer arranges a loan from a bank or mortgage company according to a fixed or floating interest rate.

SHARIAH COMPLIANT (Declining Balance)



The home buyer and Guidance agree to be co-owners in the property.

SHARIAH COMPLIANT VS CONVENTIONAL MORTGAGE

Understand the differences between Guidance Residential's Shariah-Compliant Declining Balance Co-Ownership Program and a Mortgage Loan

MORTGAGE LOAN

OWNERSHIP



The home buyer purchases the home.

LOAN

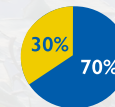
Principal
+
Interest

2

SHARIAH COMPLIANT (Declining Balance)



OWNERSHIP

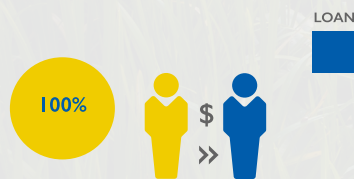


The two parties buy the home, and the ownership in the property is determined by each party's down payment.

SHARIAH COMPLIANT VS CONVENTIONAL MORTGAGE

Understand the differences between Guidance Residential's Shariah-Compliant Declining Balance Co-Ownership Program and a Mortgage Loan

MORTGAGE LOAN



The home buyer makes monthly payments to repay principal and interest on the loan.

3

SHARIAH COMPLIANT (Declining Balance)



The home buyer makes monthly payments to Guidance. Part of the payment is a utility fee and the rest is a payment to increase the buyer's ownership.

SHARIAH COMPLIANT VS CONVENTIONAL MORTGAGE

Understand the differences between Guidance Residential's Shariah-Compliant Declining Balance Co-Ownership Program and a Mortgage Loan

MORTGAGE LOAN



Over the course of the loan, the home buyer repays the debt in full.

4

SHARIAH COMPLIANT (Declining Balance)



Over the course of the arrangement, the home buyer purchases all of Guidance's ownership stake and becomes the sole owner of the property.

TERMS

ENDORSED BY ASSEMBLY OF MUSLIM JURISTS OF AMERICA (AMJA)

The Assembly of Muslim Jurists of America (AMJA) is an independent, nonpartisan, nonprofit organization that was established to address the needs of an Islamic Jurisprudence body for Muslims in the United States. The AMJA fatwa committee met to issue a resolution concerning Islamic home financing in the U.S. Their ruling on Guidance Residential was: **“Guidance Residential’s Declining Balance Co-ownership Program is a ‘permissible path’ to Muslim Americans in need of home financing.”**

RISK SHARING

The risk is shared if the property is lost in the case of a natural disaster, or a public service project initiated by the government forces you out of the property. In this situation the proceeds provided by insurance or government are shared based upon the percentage of ownership at the point of the loss. In a similar situation, conventional loan providers will apply the proceeds to pay off the loan without any allocation.

NO PRE-PAYMENT PENALTY

There is no pre-payment penalty required by Guidance Residential when a home buyer wants to pay ahead of the agreed schedule.

AFFILIATED WITH A BANK

Guidance Residential is a ‘Non-Bank’ Shariah-compliant home financing provider. The company is internally funded and is not affiliated with a bank.

TERMS

CO-OWNERSHIP

Guidance Residential and home buyers each own a percentage as co-owners. Home buyers increase their share over a period of time through a monthly payment.

RIBA-FREE

The Declining Balance Co-ownership Program, does not involve payment of interest. It is 100% riba-free.

NON-RECOURSE COMMITMENT

In many conventional loan programs, other assets which may include your various investments - such as personal savings account, pensions and college funds - are all subject to seizure in the event of a default. The Declining Balance Co-ownership Program has a non-recourse clause, meaning that in the event the customer defaults, Guidance Residential does not have recourse against the customer's other assets. The customer is only at risk for his/ her equity position in the property.

CAPPED LATE PAYMENT FEES

Traditionally, late fees are calculated by conventional providers as a percentage of the late monthly amount due from the customer and are often realized as profit. There are no interest charges on late payments under our program. With our Shariah Supervisory Board's approval, late payments are only subject to a capped fee that covers the expenses involved in administering a late payment. Under Shariah principles, profiting off of such a situation is prohibited.

INDEPENDENT SHARIAH SUPERVISORY BOARD

Guidance Residential has an independent Shariah Board comprised of notable scholarly authority headed by Justice Muhammad Taqi Usmani, who is also the Chairman of the Shariah Board for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

TERMS

EQUITY PARTNERSHIP

Guidance Residential's **Declining Balance Co-ownership Program**, is a **Musharakah**, or an **equity partnership** contract through which homeowners receive the benefits of ownership even as they continue making acquisition payments. **Co-ownership conforms to the Islamic ideal of sharing risk** and reward in financial transactions. Other programs for home finance in the United States, based on either Ijarah or Murabahah, are either less suitable or outright prohibited.

It is clear that **the lender-borrower relationship on which conventional home loans and mortgages are based is impermissible**, especially when interest is present. But, it should also be clear that home acquisitions based solely on Ijarah, with its tenant-landlord relationship, are less than the Islamic ideal of sharing risk and reward, even if they comply with the letter of Shariah.

While Murabaha is a permitted contract for buying and selling, it is prohibited for use as an instrument for home finance in the United States when the Murabaha contract, once concluded, is sold to other investors. This is because **Murabaha creates a debt**; and **the sale of debt is prohibited** since Shariah treats debt as a personal responsibility while prohibiting trafficking in the debt of others.

Guidance may introduce other investors, such as Freddie Mac, to take a co-ownership stake in a property it co-owns. In doing so, Guidance continues to service its customers' need to their satisfaction, while ensuring that investors will always be bound by their rights and obligations as co-owners in the property. For purposes of clarification, **the sale of a Shariah-compliant Musharakah contract to Freddie Mac (which is an investor and NOT a bank) is perfectly Shariah-compliant because (1) it is a sale of a real asset and (2) the terms of the sale state unequivocally that the contract between the buyer/home, owner/co-owner and the investor (Freddie Mac or any other) shall remain unaltered, i.e., will continue to comply with Shariah in every way.**

EQUAL PROTECTION WITH LLC STRUCTURE

An LLC is formed to create the co-ownership structure that allows Guidance Residential to repudiate trading in debt and offer consumers a truly Shariah-compliant home financing contract with benefits such as capped late payment fees, no pre-payment penalties and norecource policies where personal assets are safe in case of default. These benefits outweigh the small fee (\$18.75) charged for covering the actual transaction costs of administrating the LLC structure.

SAMPLE PAYMENT SCHEDULE

PARTIAL PAYMENT SCHEDULE FOR A \$100,000, 15 YEAR (ISO-PAYMENT) CONTRACT AT A 3.750 PROFIT RATE						
PAYMENT NUMBER (MONTH)	BEGINNING BALANCE	SCHEDULED PAYMENT	ACQUISITION	PROFIT	YOUR % OWNERSHIP	ENDING BALANCE
1	\$100,000.00	\$727.23	\$414.73	\$312.50	20.33%	\$99,585.27
2	\$99,585.27	\$727.23	\$416.03	\$311.20	20.67%	\$99,169.24
3	\$99,129.24	\$727.23	\$417.32	\$309.91	21.00%	\$98,751.92
12	\$95,366.02	\$727.23	\$429.22	\$298.01	24.05%	\$94,936.80
24	\$90,126.03	\$727.23	\$445.59	\$281.64	28.26%	\$89,680.44
60	\$73,175.79	\$727.23	\$498.55	\$228.68	41.86%	\$72,677.24
120	\$40,330.52	\$727.23	\$601.19	\$126.04	68.22%	\$39,729.33
180	\$725.41	\$725.41	\$723.15	\$2.26	100.00%	\$0.00

TOTAL PROFIT \$30,899.58

FAQS



1 What is the difference between Guidance's Shariah compliant home financing program and a mortgage loan?

Guidance's Shariah compliant home financing program is not a loan because Islam views money lending as a charitable act in which the charging of interest is prohibited. Islam promotes agreements that are equity based and generate profits from the sale of real goods and services.

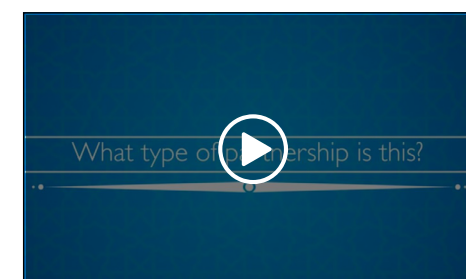
Guidance's program is based on a concept known as Musharaka, or diminishing partnership. The relationship between Guidance and the home buyer is that of co-owners and a property, and not one of a lender-borrower.



2 What type of Partnership is this?

There are varying types of Musharakas, or partnership concepts, in Islamic jurisprudence. A traditional partnership is known as Shirkat-ul-'Aqd and is typically used for joint commercial ventures.

When it comes to facilitating property ownership, however, the Declining Balance Co-Ownership Program uses a concept known as Shirkat-ul-Milk. It is important to note that the program is not designed as a commercial venture with the intent of selling the property jointly and sharing those gains or losses. The program is intended for the home buyer to fully buy out Guidance's share in the property over time while retaining all of the appreciating value in the property.



FAQS



3

Does Guidance utilize Freddie Mac as an external funding source for the Program?

Freddie Mac is a federally mandated institution, which was chartered by Congress in 1970, to provide funds for home financing companies in order to promote and advance the American dream of homeownership.

For properties financed by Guidance Residential's Co-ownership Program, we use funds alongside the homebuyer to purchase the property. Then in a separate step, we sell our co-ownership stake to Freddie Mac who then becomes an investor.

With our Shariah Supervisory Board's approval, this collaborative effort allows Guidance Residential to sell all or part of its ownership to Freddie Mac as an investor, alongside the homeowner, with the result that all terms agreed upon in the co-ownership agreement remain unchanged throughout the duration of the contract. Guidance Residential worked with Freddie Mac and 18 law firms for 3 years to come up with this unique legal structure that does not involve the sale of debt and is compliant with Islamic Legal Jurisprudence. We are the only organization in the U.S. allowed to deliver the Declining Balance Co-ownership structure to Freddie Mac, and we are very proud of this accomplishment.



FAQS



4

How does Guidance determine the price for facilitating home ownership through their program?

Unlike mortgage lenders who charge interest for money lent, Guidance charges a profit payment, or usage fee, for permitting the home buyer to occupy portions of the property still owned by Guidance. Therefore, because home buyers will naturally insist that a Shariah Compliant alternative be competitive, it was determined that the usage fee be indexed against prices in a conventional home financing market. Shariah scholars have determined this practice to be permissible because pricing does not change the nature of the product. The use of an Islamic financing index, if one existed, would be preferred.



5

Why does Guidance form an LLC with home buyers?

To fully understand why Guidance sets up a Limited Liability Company, or LLC, it's important to note that we are a wholly owned Muslim organization and not a subsidiary or operator of a bank. This is how we can apply strict adherence to Shariah guidelines. We utilize the Musharakah method of home financing, which deliberately sets up an LLC to avoid the trading of debt



FAQS



5 (Continued)

by keeping the contract on their balance sheet and not selling it in the secondary market to Freddie Mac or Fannie Mae. Our proprietary LLC based structure was established and approved by the seven leading world scholars in Islamic finance who are all members of our independent Shariah advisory board. Following the strict standards of accounting by AAOIFI, the world leading accounting and auditing organization for Islamic financial institutions. With their guidance, we have designed an LLC structure that helps our customers avoid the forbidden practice of trading debt. This is why we are the only nationwide Islamic financial institution in the U.S. who has received the endorsement of the Assembly of Muslim Jurists of America, or AMJA.

6 **Is Islamic home finance more expensive than a conventional mortgage?**

At Guidance Residential, our objective is to not just offer Shariah compliant home financing, but also to provide it at a competitive price. For your reference, we have a table of rates on our website.

FAQS



7

How does Guidance handle Late Fees?

Most conventional financial institutions use late fees to make a profit. We refrain from doing that. However, we do collect a late payment fee that covers the expenses involved in additional administrative fees resulting from the breach by the customer regarding her/his obligation to pay on time. This is in compliance with Shariah law. The fee is currently set at \$50 per late payment and has been approved by our Shariah Supervisory Board. To determine the fee amount, Guidance worked with a renowned mortgage benchmarking data provider, to conduct a study designed to estimate the cost of collecting late payments. This study was done very early on and we haven't raised the price since then. This shows our commitment to serving our customers in the best way possible.

8

Can I refinance my current conventional mortgage with Guidance Residential?

Absolutely! We highly encourage our customers to get out of a Riba based mortgage as soon as possible. You can start the refinance process online <https://www.guidanceresidential.com/pre-qualify> or contact your local Account Executive at 1.866.484.3262.

FAQS



9

Can I purchase a home with less than 20% down?

Yes. Our customers may make a down payment as little as 5% for primary homes and 15% for investment properties.

10

Do I have to escrow my taxes and insurance?

If you are putting down at least 20%, generally you have the option to not escrow your taxes and insurance, although other terms and conditions may apply. If you are putting less than 20% down, you have to escrow taxes and insurance. Federal law may require that you escrow for taxes and insurance, depending on your contract terms.

11

Why do I have to pay the LLC fee?

Guidance Residential's program is built on the Shariah concept of Declining Balance Co-ownership. The LLC is created for the purpose of creating this partnership and serves to protect both the customer and Guidance Residential from liabilities that could arise. The majority of the cost associated with setting up and maintaining the LLC is paid by Guidance Residential and the customer pays only \$18.75 per month.

For more FAQs, visit: <https://www.GuidanceResidential.com/faq>