

# Bank eyes Muslim 'mortgages'

*University seals licensing deal with Ohio firm*

BY BRIAN HAMILTON  
bhamilton@bdwbiz.com

Ann Arbor-based University Bank is targeting potential Muslim homeowners with a new kind of mortgage that it says conforms to Islamic religious tenets.

The bank, part of University Bancorp [Nasdaq:UNIB], has a licensing agreement with Kettering, Ohio-based SAMAD American Holding Corp., which recently opened an office in Ypsilanti.

University President Stephen Lange Ranzini said the initial goal is to sell 70 mortgages totaling \$12 million, though there is no timeline for reaching that number.

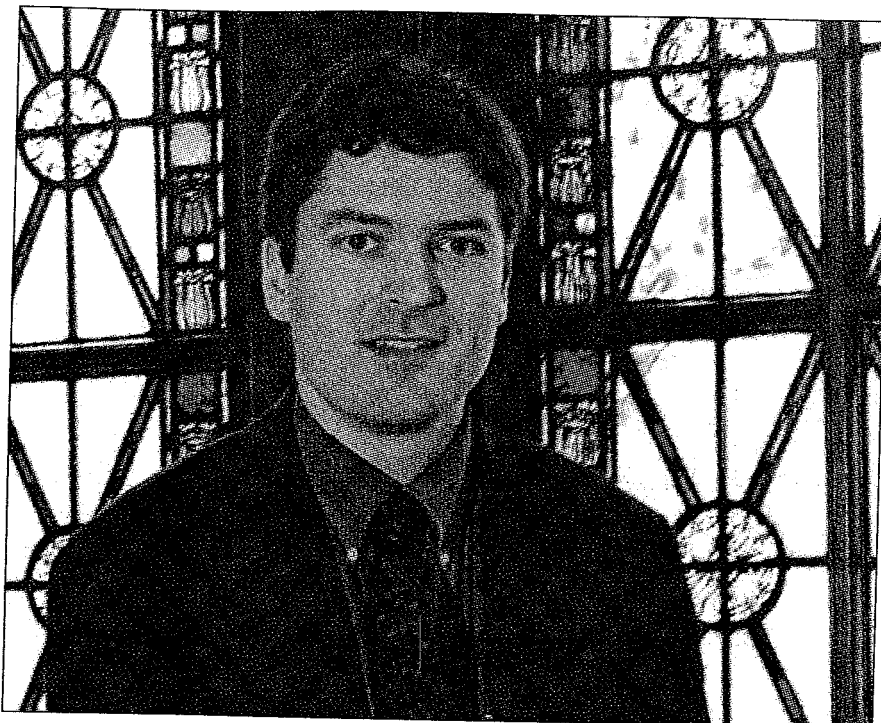
That lending, Ranzini said, could result in an additional \$480,000 in recurring annual income for University, a substantial sum for a community banking operation that has been a drag on the holding company's overall earnings.

There are about 100,000 Muslim families in southeastern Michigan, Ranzini said, and perhaps a third would be candidates for the product. He also wants to add originators nationwide.

University Bank is the only organization in southeastern Michigan offering the product.

Islamic religious law bans Muslims from receiving or paying interest, which eliminates traditional mortgages.

With the new mortgage, a homebuyer rents the home from a trustee for perhaps 30 years — SAMAD calls it a "re-



ROBERT RAMEY

**University Bank President Stephen Lange Ranzini: Product conforms with Islamic law.**

deemable lease" — and the renter pays an additional amount every month to cover taxes and insurance. After 30 years, the house becomes the property of the tenant.

SAMAD says the product has been reviewed by leading Muslim scholars.

What makes the new service possible is University Bancorp's 80 percent stake in Midwest Loan Services, a mortgage servicing business in Houghton.

"You have to be able to service the loan," Ranzini said. "You can't send out statements that say 'interest paid.'"

There's also a bonus for University because the unusual servicing requirements mean few loans will be lost to refinancing with another company,

Ranzini noted that it took about a year

to change Midwest's system so it could handle the legal and technical challenges.

Much of the cost for the buyer is tax deductible, Ranzini said. From the perspective of the Internal Revenue Service, he said, "If it walks, talks, quacks like a mortgage, it is a mortgage."

SAMAD says its goal is to become the largest Muslim-owned and operated business in the United States. While it now focuses on services related to Muslim economic philosophy, it has also been involved in car washes, public storage, and laundry services since it formed in 1986. It also owns a hotel in Columbus, Ohio.

*Brian Hamilton covers finance for Business Direct Weekly.*