



Real Estate Financing for Housing Construction and Purchase

📅 20 March, 1990 | Fiqh of Financial Transactions, Mortgages

In the Name of Allāh,

the Entirely Merciful, the Especially Merciful

Praise is due to Allāh, Lord of the worlds, may the blessings and peace be upon our master Muḥammad, the last of prophets, on his family, and all his companions.

Resolution No. 50 (1/6)

Real Estate Financing for Housing Construction and Purchase

The Council of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, holding its 6th session in Jeddah, Kingdom of Saudi Arabia, on 17-23 Sha‘bān 1410h (14-20 March 1990),

Having studied the research papers submitted to the Academy concerning

Real Estate Financing for Housing Construction and Purchase, Having listened to the discussion on the subject,

Resolves

First: Housing is a fundamental human need. This need should be met by legitimate means and by permissible (ḥalāl) money. The method of granting loans on interest adopted by the real estate and housing banks or other financial institutions is prohibited under Shariah, regardless how high or low the interest rates may be, because this method involves Ribā (usury) transactions.

Second: There are several lawful ways which can substitute the unlawful (haram) ones for providing housing on the basis of ownership (in addition to providing them on rental basis). For example:

1. The state can offer loans meant especially for the construction or purchase of houses and repayable in suitable installments without charging any interest, neither in express terms nor under the name of service. However, if the need arises to meet the expenses incurred in the operations of such loans and in their follow-up, the same can be claimed from the debtors with the condition that the claim must be restricted to the real and actual expenses in the manner specified in paragraph (a) of resolution 13 (1/3) adopted in the third session of the Academy.
2. Capable states should undertake a project to build houses for sale to those who wish to own them. This sale can be done on the basis of deferred prices to be paid in installments in accordance with the rulings of Shariah stipulated in resolution 51 (2/6) of this session.
3. The investor, whether individuals or companies, can undertake the

construction of houses which can be sold on deferred payment basis.



1. The house can also be acquired through the contract of Istiṣnā' on the basis that it is binding to the parties. In this contract, the purchase of a house can be completed before it is built, provided that the specifications of the house are minutely enumerated in the contract, not leaving any vagueness which can lead to disputes. In this case, payment of price in cash and in full is not necessary, rather, it is permissible to defer the payment of price to such installments as may be agreed upon, keeping in mind all the conditions prescribed for Istisna according to the fiqh scholars who distinguished it from the contract of Salam.

Recommendation

To conduct further studies to find out other lawful methods that can facilitate the acquisition of housing for those interested.

Indeed, Allāh is All-Knowing.

