

Islamic Finance news talks to leading players in the industry



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Company: Truly Interest Free
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Age: 46
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Could you provide a brief journey of how you arrived where you are today?

I have been a real estate investor for the past 12 years. I have also worked for a few financial institutions in full-time and consulting capacities. When I started writing my book, "Private Money: The #1 Solution to Eliminate Booms and Busts in Real Estate Forever!" my intention was to educate investors with the use of private money in real estate acquisitions.

I define private money as a source of funds where the owner invests directly. Intermediaries if any have low or no influence on transactions. Another feature of private money is that transaction terms are flexible, individually negotiated among principals, and are not dictated by institutional indexes or underwriting criteria. Subsequent to writing the book, when I studied Islamic finance, it appeared to me as a major source of private money.

What does your role involve?

My role involves the development of interest-free products. So far I have developed and helped deploy an interest-free seller financing model. I am now developing short-term loans, small loans, car financing and college tuition financing models. I am also working on a model for the expansion of Zakat through reduction of debt and elimination of riba in people's lives. I call it *Riba Cleansing Therapy*.

What is your greatest achievement to date?

The greatest achievement to date is the writing of my 200-page book which required me to undertake research by reading tens of books and hundreds of papers related to real estate and finance.

Which of your products/services deliver the best results?

Thus far we have only launched the Truly Interest-Free Seller Financing model. It provides real "dollars and cents" savings to our clients. A home financed through our interest-free seller financing model can be paid off within 14 years instead of 30 years with the conventional mortgage with the same amount of monthly payments. Built-in payment holidays have the potential to avoid defaults and foreclosures.

What are the strengths of your business?

Islamic finance instruments were developed long before anything resembling banks or other modern financial institutions existed. The

main strength of our business is that our financing models are non-institutional. People can use our models without using our professional services. If they use us we make money for our efforts. If they don't use us and are still able to carry out interest-free transactions, we consider that a big strength of our models. Another strength of our business is that it has low overheads. This allows us to evolve organically through word of mouth; which is the best marketing method among Muslims.

What are the factors contributing to the success of your company?

Americans spend more than one-third of their after-tax income on interest payments of one sort or the other. My dentist recently told me that he is paying down his US\$300,000 student loan. That is 65% higher than the average house mortgage amount as per the Federal Reserve Bank.

Our target clients are middle-class and lower middle-class Muslims and non-Muslims who are either gainfully employed or are running fairly successful small businesses. They are interested in turning their collective "dead capital" into an ethical and sustainable economic system.

What are the obstacles faced in running your business today?

Our core competence is real estate financing. Our interest-free real estate finance model pretty much requires 20% downpayment. It is not too much of an issue in the commercial space where buyers are used to bringing that amount to the purchase transaction.

However, in order to expand this model in the residential space, we need to assist our potential clients to accumulate a significant portion of that downpayment through the elimination of interest in their lives. That is an instant source of savings for them.

Where do you see the Islamic finance industry in, say, the next five years or so?

Any financial system which has trillions of dollars committed to it will do well in the foreseeable future. Islamic finance is largely carried out by practitioners who are accountable to Islamic scholars. In the next five years those practitioners will be required to justify their products and services against the historical Islamic finance rules and regulations. Transparency will only strengthen the Islamic finance industry.

Name one thing you would like to see change in the world of Islamic finance.

Islamic finance was developed well before the existence of riba-based currencies, maysir-based stock markets and gharar-based marketing and contract mechanics.

The riba-based money is a key issue which manifests itself as inflation and necessitates the implementation of the time value of money. This complicates efforts to eliminate riba from transactions. This issue is more political than economic. Smaller sustainable finance movements, such as JAK Bank of Sweden, consider inflation as a price they are willing to pay to expand their interest-free banking model. Islamic finance needs to devise strategies to resolve the riba-based money issue in a timely manner. (2)