

JEWISH MORTGAGE COMPANIES

When a person obtains a mortgage from a Jewish lender, a *heter iska* is necessary. However, many Jewish mortgage companies are merely brokers for non-Jewish banks and not the actual lenders. One may obtain a loan through the services of a brokerage company without an *iska* agreement, provided that the bank that is providing the funds for the loan is not owned by Jews. However, in cases where the mortgage company is also the actual banker, a *heter iska* must be drafted.

It is important to note that even with a *heter iska* one may not give any extra payment at the time the money is advanced. Since all payments are only the profits the monies generated, one can not give money prior to having the ability to invest the funds. Many mortgage agreements call for such payments (points, commitment fees, etc.), which are prohibited even under an *iska* agreement. The *iska* is therefore set up where these payments are deducted from the principle stated on the loan documents and the presumed profit amount is slightly higher.

In an *iska* agreement with a bank, one should review the *iska* agreement at the time of closing. This way he is aware of the actual amount invested, as well as the exact amount of the presumed profit.

When borrowing from a Jewish owned bank with a *heter iska*, a consumer should be aware that the standard practice is that many banks sell their loans to other banks after closing. If the loan would be sold to a non-Jewish bank, they would not honor the *iska* agreement. Therefore the Jewish bank's *heter iska* is written in a way that the bank does not have to remain in a long-term *iska* partnership. Should they so choose, the bank will find another lending institution to loan the investor the money needed to return the *iska* money to the original bank. At that time the original bank will broker a loan between the managing partner (the borrower) and the new bank. The money from this loan is used to repay the *iska* funds to the original bank. In the event that there is extra money from the loan (due to the amount that was deducted off the *iska* at closing, as mentioned earlier), it will be given to the original bank as a brokers fee for brokering the loan. From that point and on, this deal is considered a regular loan with interest payments to a non- Jewish bank.