

RIBBIS: MATTERS OF INTEREST

Cosigning and similar concepts

It is definitely permitted

for a Jew to co-sign as a standard *arev* on a loan initiated by a public company. Being that the terms are that the lender will turn to the borrower for

payment first, he is considered the borrower and the cosigner is merely guaranteeing the loan in the event of default. On the other hand the *arev* called *shluf dutz* is definitely rendered in halachah as the borrower.

Halachah

views his relationship with the bank to be as if he himself has borrowed the funds being that he is the only address to which the lender may turn. He in turn re-lends the money to the actual borrower. This is considered as if the Jewish borrower is borrowing directly from his Jewish guarantor and is therefore prohibited. Therefore, even if the borrower sends the interest payment directly to the bank it is still prohibited being that he is merely satisfying the cosigners direct obligation to the bank, and in essence he is paying interest to his Jewish cosigner.

In regard to the middle type

of guarantor there is a dispute amongst the *poskim* as to whether or not it would be considered ribbis. Most *poskim* maintain that since the lender has the right to approach the cosigner first, if he should so desire, he is considered to be a borrower. Any interest payment paid to the bank would be

considered to be satisfying the *arev's* obligation. Other *poskim* write, that since the borrower is equally responsible, there would not be any ribbis violation. Beis Yosef and others rule that one should not enter into such a relationship.

This *halachah* plays

itself out in many instances in today's lending environment. Many times there

is a borrower that does not have a healthy credit rating. When the borrower asks his friend or relative to co-sign on a mortgage or on a car loan, extreme

caution must be taken to avoid the *issur* of ribbis. One must analyze the terms of the loan documents and learn the exact responsibility of the cosigner,

and use the above guidelines to ensure that he is not in violation of these *issurim*.

Yet another very common

scenario is where an individual would like to purchase something using his friend's credit card. Being that he does not want his friend to incur any expenses, the borrower agrees to cover any interest obligation the card-holder

will have to pay the credit card company. This is prohibited according to all opinions. Since the legal obligation is solely the card-holder's, he is considered the borrower and his friend is in turn borrowing those same

funds

from him. Therefore, it is prohibited to pay the interest, even if the payment is sent directly to the lender. The lender must understand that he runs a risk

(of not being able to recapture the fees) when lending the credit card.