Declining Balance Co-Ownership Home Acquisition Program

Fatwa

الحمد لله رب العالمين، والصلاة والسلام على خاتم الأنبياء
والمرسلين، محمد المصطفى الأمين، وعلى آله وأصحابه أجمعين

We, the Shari'ah Supervisory Board of Guidance Financial Group, LLC (Guidance) have examined the documents of the Declining Balance Co-Ownership Home Acquisition Programs, inclusive of the Co-Ownership Agreement, Security Instrument, Consumer's Obligation to Pay, and Assignment of Agreements, all of which are required for each program.

We have reviewed these documents and the purposes for which they have been designed, namely:

1. to assist Muslims and others residing in the United States of America to acquire their homes in compliance with Shari'ah,
2. to enjoy the tax benefits accorded by the federal government to home owners,
3. and for the investors to securitize their ownership investment in homes.

The basic concept behind these contracts and documents is that the property is purchased in joint ownership between an affiliate of Guidance (the Co-Owner) and the person who requires finance (the Consumer). The Consumer makes monthly payments which are comprised of Profit Payments and Acquisition Payments. Profit Payments represent the Consumer payments for the enjoyment and use of the whole property, while Acquisition Payments represent the Consumer's payments for his acquiring the Co-Owner's interest in the property.

It has been ascertained by the Shari'ah Supervisory Board that the documents comply with the Shari'ah requirement for a valid "Diminishing *Musharakah*" arrangement, and that both parties benefit and bear the risks of their respective shares in the property throughout the contractual arrangement.

The documents designed for "Replacement" are meant for a situation where a person has already acquired a property and wishes to enter into a Shari'ah compliant arrangement. In this case, he will sell a share of his property to the Co-Owner, and then both parties will have the same arrangement of "Diminishing *Musharakah*" as detailed above. Since the units of property will be purchased by the consumer

under this arrangement at cost, and without increase, there is no element of *'ina* in this arrangement.

After reviewing the mechanism as well as the agreements and documents, and after suggesting amendments that have been incorporated, the Shari'ah Supervisory Board is of the view that given the circumstances prevailing in the United States, this arrangement conforms to the rules and principles of Shari'ah; and therefore, Muslims may avail themselves of this opportunity to acquire homes and properties by means of this method.

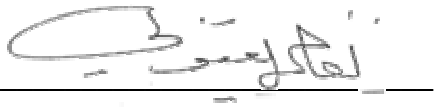
Agreed this 21st of October 2002



Justice Muhammad Taqi Usmani



Dr. Abdul Sattar Abu Ghuddah



Shaykh Nizam Yaquby



Shaykh Yusuf Talal DeLorenzo



Dr. Mohamed Elgari



Dr. Muhammad Imran Usmani