

Bismillah

Jafari No-Interest Credit Union

A Credit Union to provide no-interest loans to our community members, InshAllah

www.JafariCU.com

**Your savings federally insured to at least \$250,000
and backed by the full faith and credit of the United States Government**

NCUA

National Credit Union Administration, a U.S. Government Agency

Typical Credit Unions

- A CU uses your deposits to make loans; your deposits are insured by NCUA, a federal agency, up to \$250,000
- CUs are non-profits. Members elect the CU's board
- The CU's field of membership defines who can join
- CUs charge interest on loans to pay for the CU's expenses, pay interest to depositors, and to build the CU's Net Worth (capital)
- CUs must maintain Net Worth of at least 7% of total assets, to absorb loan losses, unexpected expenses, etc.
- CUs generally rely on donations for startup capital

Jafari No-Interest Credit Union

- Does not charge interest nor pays interest
- Uses deposits to make no-interest loans
- \$3/month fee to pay for some of the operating expenses
- Deposit/withdrawals allowed via ACH
- Voluntary Net Worth Fee, \$7/month, to pay for expenses and build Net Worth
- Voluntary Regular Lending Fee, \$10-\$250/month, to build Net Worth to enable more lending. *This fee is refundable **but only if** the CU meets certain financial criteria.* The fee should go down the longer a member participates.
- Annual expenses \$18-\$24,000/year

Jafari No-Interest Credit Union

Loans – General Requirements

- The credit union offers **refinancing** of the following loans: Car and College student loans.
- The member must have made at least 6 monthly payments for the existing loan, and the three most recent payments must be full payments paid on time.
- Member must meet credit and income criteria
- Loan's interest rate must meet the Minimum Eligible Interest rate published by the CU.
- Preference given to loans with higher interest.

Background: Jafari Interest Free Loans (JIFL)

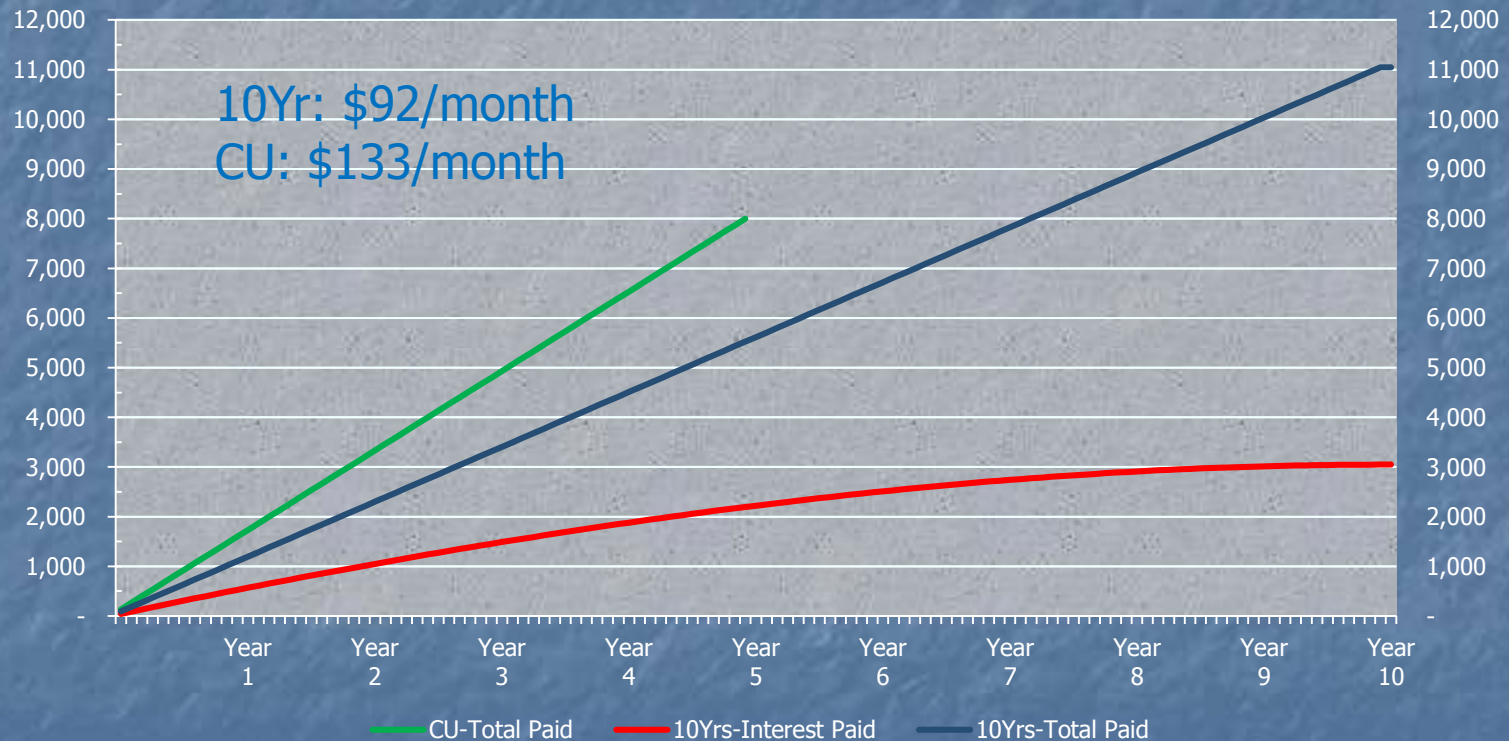
- **NOTE:** Jafari Interest Free Loans and Jafari No-Interest Credit Union are separate, independent organizations
- JIFL is a 501c(3) non-profit, www.Jafari-ifl.org, started in Ramadhan, 2007 to make interest-free loans to members who have existing interest-bearing loans (student, car)
- Members contribute \$25-150/month. Funds are pooled and loaned to a member who has an existing loan with the highest interest rate
- As Borrower pays back, funds are refunded to the contributing members
- Contributions are voluntary and can be stopped or changed at any time

Background: Jafari Interest Free Loans

- (June 2016) Has 205 members in 14 states; 150 from Houston; JIFL receives \$13-14,000/month to lend
- Made 86 loans for \$861,000, saving \$300,000 in interest
- \$486,000 has been paid back and refunded to members
- 32 loans paid off in full, 3 borrowers are behind, 54 borrowers are on schedule
- Members contributing \$50 for last 8 years get \$40 in monthly refund: net cash effect is \$10/month
- Members donate \$1/month for JIFL expenses
- A JIFL loan for a \$18,000 7.75% student loan will save \$4,800 in interest and be paid off 2 years sooner
- **NOTE:** Jafari Interest Free Loans and Jafari No-Interest Credit Union are separate, independent organizations

Interest vs No-Interest

\$8,000 6.8% Student Loan
10 Years Repayment
Interest Avoided: **\$3,048**



Some Benefits of a Credit Union

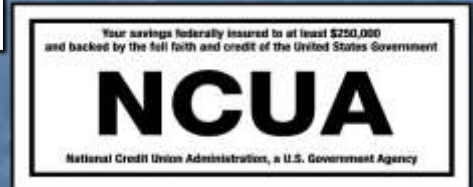
- Some people are more comfortable with a regulated entity like a CU
- A CU can use deposits to make more loans
- A CU can have liens on cars and homes to provide more protection to the lender
- A CU provides better governance and continuity

Why a Texas Credit Union

- Meeting the application requirements of a state CU is easier than those for a federal CU
- Local community must show support for the proposed CU via community surveys and financial support pledges
- Local centers must provide documentation showing support for the proposed CU
- Most JIFL members are in Houston, providing a solid base of support
- Local centers in Houston, Dallas and Austin provided letters of support; two provided free office space
- Community business in Houston provided free office space for the CU's main office

Jafari No-Interest Credit Union

- Savings account only; no checking, debit card, ATM, etc.
- Deposit/withdrawals allowed via ACH
- \$3/month Account Fee
- Net Worth voluntary fee/donation \$7/month
- Regular Lending voluntary fee \$10-\$250/month.
This fee is refundable ***but only if*** the CU meets certain financial criteria.
- Will refinance existing interest-bearing car and student loans with no-interest loans; member must meet credit, income, etc. requirements.
- Preference given to loans with higher interest.



Jafari No-Interest Credit Union

- Who can join: People in CU's Field of Membership in Houston, Dallas and Austin, and family members of an existing CU member, living **anywhere** in the US. **Family members include:** Siblings, Spouses, Parents, Children, Grandparents, Grandchildren, Siblings of Parents, Nieces, Nephews, In-Laws, and First Cousins. Members must meet other eligibility criteria (e.g. US Citizen/resident, etc.)
- InshAllah, we intend to apply to the Texas CU Dept. to add more Jafari centers in Houston, Dallas and San Antonio (with the centers' support)
- We intend to eventually apply for a federal charter. Then we can apply to add community members in other US cities

How you can help

- **Join the CU**, if eligible directly or related to a CU member. The monthly account fee is \$3/month.
- **To join**, you must have a government issued photo ID (e.g. Drivers license), some proof of US citizenship/residency (e.g. Voter Card, Green Card), and a minimum deposit of \$100.
- Inform family and friends about the credit union
- Help the CU with voluntary fees / donations to help meet its expenses and to increase its Net Worth. The CU does not charge interest and relies on fees and donations to meet its expenses and Net Worth requirements
- Deposit more funds in your CU account. Your deposits are federally insured. More deposits allow the CU to issue more no-interest loans. An average CU loans out 75% of its deposits.

How you can help

- For Texas cities, help organize support from local centers to help expand the CU's Field of Membership.
- For other cities: help organize local community support and support from local centers when the CU starts applying for a federal charter.
- Inform your family members in other cities that they can join the CU if you are a CU member.
- Visit www.JafariCU.com for more information and details.
- Email Info@JafariCU.com for questions / information.

Disclaimer and Q & A

- **DISCLAIMER:** There are a lot of details not covered in this presentation. Please visit the website for the Texas State CU Dept, <http://cud.texas.gov> and the NCUA, <https://www.ncua.gov> for details, applicable laws, rules, regulations, etc.
- Visit www.JafariCU.com for more information and details.
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