

LOANS

LOANS: WITNESSING/WRITING DETAILS

Loans: Witnessing/Writing Details

You must have a witness or write down the details of an agreement before loaning money or material goods. Both parties should count the money together unless there is a written record, as with electronic transfers, checks, etc.

NOTE If the amount is so small that the lender would not mind its not being paid back, it is customary to lend without a written record or witness.

LOANS: CHARGING INTEREST (RIBIT)

General Law on Heter Iska

A Jew is not permitted to charge interest (ribit) for a loan made to another Jew. A heter.iska should be used in any case where a loan has been made between Jews if more money will be paid back than what was received.

NOTE In some cases, if you prepay for a purchase and thereby get a discount, it might be considered as interest paid on a loan, and you would need a heter.iska.

Charging Interest: Loans or Borrowed Items

Prohibitions of charging interest (ribit) apply only to loans of money or a commodity (halva'a), not to borrowed items (she'eila):

1. Loan/Halva'a

You do not get back the exact item you loaned but, rather, some equivalent of the original, such as money. The borrower may not give back more than he/she borrowed and the recipient may not accept more. Even saying “thanks” is considered to be a form of interest.

2. Borrowed Items/She'eila

The original item is returned to the loaner (for example, borrowing a car), and there is no prohibition of paying more than what was originally received.

Heter Iska in Normal Language

If you use a heter.iska for a loan, the document should be in English or whatever is the normal language of both parties.