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.

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