

Neighborhood Development Center, Inc.

St. Paul, Minnesota
www.ndc-mn.org

The Neighborhood Development Center (NDC) found that one group of customers was not taking full advantage of its services. “We discovered that Somalis, who are one of several immigrant groups in the Twin Cities, were not applying for financing from our loan fund,” explains Mara O’Neill, Chief Operation Officer at NDC. “The reason was that Islamic law prohibits paying interest, or reba, on debt.”

With the help of a company called Reba Free LLC, NDC set up a financing program that enables Muslims to pay a return on an investment made by NDC without paying interest on debt. Here’s how it works: NDC will purchase equipment or inventory on behalf of the entrepreneur and immediately sell it to the business owner at a price that includes the original purchase price plus a mark-up. The mark-up is the amount of interest a regular borrower would have paid on a similar loan. Another acceptable financing option is a royalty agreement where NDC purchases inventory with an entrepreneur then,

as the inventory is sold, the entrepreneur pays NDC its portion of the initial investment plus a negotiated return.

Reba-free financing has been used to finance a barber shop, a restaurant, truck purchases, and for retail businesses that sell groceries, household items, or rugs. Demand quickly exceeded the funds set aside for this program, and NDC has raised additional money from public and private sources. As of March 2005, NDC has provided over \$776,000 in reba-free financing to 49 entrepreneurs, 43 of whom are Somali immigrants, enabling them to develop their business operations and follow their religious requirements.



NDC received general support funds from Heron for its work supporting emerging entrepreneurs such as the business owner on the left, to build successful businesses that serve their community and to help community groups build stronger neighborhood economies.