



ועד רבני בתי כנסיות של אגודת ישראל באמריקה

Conference of Synagogue Rabbonim of Agudath Israel

BE"H, Nissan 5781

RIBBIS ALERT FOR THOSE PURCHASING A USED CAR WITH FINANCING

It has come to our attention that a common financing practice employed when purchasing a used car from a Jewish auto dealer entails a serious Ribbis concern.

Typically, a Retail Installment Sale Contract is used, which specifies the amount financed and the interest charged, with the auto dealer as the initial creditor. He then immediately sells the loan to a bank. This is problematic *l'halacha*, as most Poskim prohibit the initiation of a loan interest agreement between two Jews even if no interest is ever paid to the initial Jewish creditor.

There is an easy solution to this problem. The dealer and buyer can execute a letter under which they agree that the buyer has no interest obligations to the dealer, and any loan/retail contract agreements only become valid after they are assigned to the bank. Thus, there is never an interest-bearing debt between the buyer and dealer.

A sample text is included below; please discuss the matter with your Rav and legal counsel.

THE CONFERENCE OF SYNAGOGUE RABONIM OF AGUDATH ISRAEL

Halachic Ribbis Avoidance Agreement

As borrowing with interest from a Jewish company violates Hilchos Ribbis, the Parties agree that notwithstanding anything in the retail sales contract to the contrary, under no circumstances will the buyer owe or pay any interest to the Seller. Rather, the seller is acting as the buyer's agent to procure a loan on behalf of the buyer using the retail contract. Thus, the obligations detailed in the retail contract shall take effect only if and when the contract is assumed by a funder not subject to Hilchos Ribbis, upon which time the obligations shall be directly to said funder.

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