

Ribbis: Matters of Interest

AREV: GUARANTEEING A LOAN (COSIGNERS)

In certain instances where a home buyer does not meet underwriting criteria, the bank may require a cosigner to guarantee the loan. The current practice of banks is to stipulate that they can collect from either the borrower or guarantor at their own discretion. Such a guarantor is referred to in halachah as an *areiv kablan*. The *Shulchan Aruch* (170:1) prohibits a Jew from being such a guarantor for an interest loan on behalf of another Jew. This prohibition would apply any time one uses a Jewish guarantor on an interest loan, such as for a credit card, car loan, or mortgage. If one does borrow with interest and uses a cosigner, a *heter iska* must be used.

There are many instances in which the bank will require a cosigner, but in reality refer to the cosigner as a co-borrower. The definition of “co-borrower” is that each party is actually borrowing half the money from the bank. The co-borrower then lends his half of the loan to the buyer to use to purchase his home. As the buyer repays the loan, he is in effect repaying the co-borrower of the loan. Since interest is being paid to the bank on the co-borrower’s behalf, such an agreement would require a *heter iska* as well. There are three types of guarantors discussed in halachah in regard to ribbis: *Arev*: A standard co-signer, where the lender must first demand payment from the borrower. The guarantor may only be approached after first claiming it from the lender in *bais din*.

Arev kablan: Where the lender has the right to demand payment either from the guarantor or from the borrower equally.

Arev shluf dutz: Where the lender’s only claim is to the guarantor. The guarantor accepts sole responsibility for the loan.