



## Money, Lending and Interest in The Torah and The Jewish Tradition

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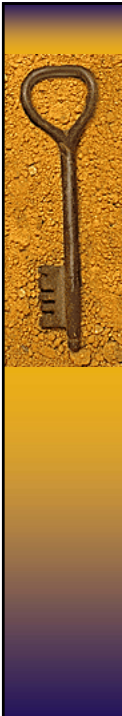


## Money, Lending and Interest in The Torah and The Jewish Tradition

The Biblical Source:

Exodus, chapter 22, and verses 24 – 26

24. “When you lend money to any of my people, to the poor among you, you shall not be to him as a creditor, nor shall you impose upon him any interest.
25. If you take your neighbor’s [night] garment as a pledge (collateral), you shall return it to him by nightfall.
26. For that is his only covering; it is his garment for his skin. In what shall he sleep? And it shall come to pass, that if he cries out unto Me, I will hear it, for I am compassionate.”



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

### **LENDING: The General Biblical Attitude**

- ◆ **The Law is Based on the Important Word is “AMI”- my people – verse number 24.**
- ◆ **God specifically regards those in need of loans as being His special people, to whom He is very close.**
- ◆ **The lender should regard it as an honor to assist one of God’s people, and must conduct his/her affairs accordingly**
- ◆ **The phrase “ you shall not be to him as a creditor” is interpreted to mean that the lender is prohibited from reminding the borrower of his dependent status in any way.**



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

### **LENDING: The General Biblical Attitude**

**The Borrower is Beloved of God, and the Lender  
Must Bear this in Mind.**

**Even a Facial Gesture on the Lender’s Part Can  
Constitute a Violation of This Prohibition.**




## **Money, Lending and Interest in The Torah and The Jewish Tradition**

**The Prohibition Against the Taking of Interest is:  
The Most Concrete Expression of  
God's Love for the Debtor**

**Rabbinical Interpretation**

- ◆ **Lender is Prohibited from Charging Interest, and**
- ◆ **The Borrower is Prohibited from Offering to Pay Interest.**



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

- ◆ **The Torah:**  
Rejects the Entire Notion of a LOAN as a  
Transaction that brings Benefit to the Lender.
- ◆ **Halacha (Rabbinical Law):**  
A Person who Either Lends, or Voluntarily  
Borrows on Interest is Disqualified from being a  
Witness in Court.



## Money, Lending and Interest in The Torah and The Jewish Tradition

### Expansion of the Definition of “Interest”

Interest Can Include Considerations Aside from Cash  
(Bava Metzia, Chapter 5, Mishna 2)

Gestures by which the Creditor Realizes Benefit from the Loan He/She Extended, and are Defined as “Interest” by Rabbinical Definition:

- ◆ It is prohibited to allow one’s creditor to live in utilize one’s home or workplace rent-free.
- ◆ It is even prohibited for the debtor to offer space to his creditor at a discounted rent..



## Money, Lending and Interest in The Torah and The Jewish Tradition

### The Permissibility of Lending with Interest to People Who Are Not Part of the Jewish

Community - Talmud (Bava Metzia 70b – 71a) , and the Post  
Talmudic Rabbis

Moses Maimonides, (Laws of Loans, chapter 5, law 2):

1. It is permissible for a Jew to Charge Interest of a non-Jew ONLY when and in the amount necessary to provide himself with a basic living.
2. It is prohibited for a Jew to charge a Usurious Rate.



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

**The Permissibility of Lending with Interest to  
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**The Great Rabbis of Medieval France and Germany were  
somewhat More Permissive under Circumstances in  
which Jews were Barred from Most Professions, and  
Jewish communities were Singled out for Taxation  
Above the Ordinary Rates. (Commentary of Tosafot to  
Bava Metzia 70b)**



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

**The Sixteenth Century Life Style:  
Less Agrarian & More Commercial  
More Commercial Loans & Less Personal Loans  
(Prohibited by the Torah)**

**“Heter Iska” Document**

**Developed by Rabbis in Poland and Eastern Europe**

**This document Attempted to Transform the Lender-Borrower  
Relationship into an Investment Relationship.**



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

### **“Heter Iska” Document**

- ◆ The Provider of Capital (loan) Becomes a Partner in the Venture that the Borrower will be Engaging In.
- ◆ The Provider will Share a Specified Percentage of the Realized Profits with the Borrower.

This technical redefinition of the loan as an investment allowed Jewish commercial enterprises to succeed without the laws of interest being violated.



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

### **“Heter Iska” Refinements**

- ◆ Was Refined Several Times to Help Insure That The lender/investor would not be exposing himself to an unacceptable level of risk, and
- ◆ Some measure of return would be contractually guaranteed.

### **The “Heter Iska”** **is in Common Use to This Day!**



## **Money, Lending and Interest in The Torah and The Jewish Tradition**

### **INTEREST-FREE LOAN SOCIETIES**

- ◆ Available in All Jewish Communities to Preserve both the Spirit and the Letter of the Laws of Interest.
- ◆ Often Administered by the Local Jewish Federations or Other Community-wide Organizations

**These Societies are Considered the True  
Embodiments of the Words of the Torah.**