



Information for parents
ENGLAND | SCOTLAND
WALES | NORTHERN IRELAND

contact For families
with disabled children

SUPPORT WITH MORTGAGE INTEREST

If you are a homeowner on means-tested benefits, you might be getting help with your mortgage interest payments. This is known as support with mortgage interest (SMI). In April 2018, the Government intends to scrap these payments and replace them with a new scheme where any help you get is treated as a loan that must be repaid. This factsheet contains frequent references to the Department for Work and Pensions. In Northern Ireland parents will be in contact with the Department for Communities instead.

WHAT IS SUPPORT WITH MORTGAGE INTEREST?

Homeowners who claim certain benefits can get help from the Department for Work and Pensions (DWP) towards the interest that they pay on their mortgage. This applies to the following benefits:

- **Income support**
- **Income-based Jobseeker's Allowance**
- **Income-related Employment and Support Allowance**
- **Universal Credit (only if you and any partner have no earnings)**
- **Pension credit.**

If you are receiving one of these benefits and have a mortgage, or in some cases a home improvement loan, you may be getting help from the DWP towards your interest payments. This is called support with mortgage interest (SMI).

Normally you must be on a means-tested benefit for nine months before you start to get any SMI. However, once your 'waiting period' is over, the DWP make payments to your lender towards the interest on your mortgage. These payments are currently treated as a benefit and do not have to be repaid.

If you are a home-owner on one of these benefits and you don't know if you're getting SMI or are unsure how much you get – check your benefit award letters. This should tell you how much SMI is being paid. Your letter may refer to the payments as help with housing costs.



WHAT IS CHANGING?

The Government intends to scrap the current SMI scheme in April 2018 and replace it with a loan scheme offering payments towards mortgage interest. Under the new SMI scheme any payments that the DWP make towards your mortgage will be treated as a loan that needs to be repaid when your house is eventually sold or transferred to someone else.

I'M ALREADY GETTING SUPPORT WITH MORTGAGE INTEREST, WILL I BE EXEMPT FROM THESE CHANGES?

No, you won't be exempt. The new rules apply to existing claimants as well as new claimants. If you are already getting SMI you will have the option of either no longer receiving any help towards your mortgage, or signing up for a new SMI loan. This is a special type of loan. Rather than getting a lump sum, the loan takes the form of regular payments towards your mortgage interest. The new loans aren't automatically paid to those who already get SMI – you will need to complete a loan agreement first.

If you accept the offer of a SMI loan and complete the necessary paperwork, the DWP will carry on making regular payments to your lender. However, any SMI payments made from 6 April 2018 onwards will eventually need to be repaid. This means that the total amount that you need to pay back will go up with each payment that the DWP make towards your mortgage. You won't have to repay any of the help that you received under the original SMI scheme prior to 6 April 2018.

If you decide not to accept the offer of an SMI loan, the DWP will stop making payments towards your mortgage interest and you will need to make alternative arrangements to cover those costs.

HOW AND WHEN WILL I HAVE TO REPAY A SMI LOAN?

If you accept the offer on a SMI loan, the DWP will normally seek to place a legal charge against your property. This will give them the legal right to recover the total of any SMI loan payments they make, plus interest. They will only seek to recover the loan once your property is either sold or it is transferred to someone else. This will include where the property is transferred to someone other than your partner, following your death.

So long as there is enough equity in your property when it is sold or transferred, the full amount of any SMI loan payments you received must be repaid plus interest. If there isn't enough equity to repay the SMI loan in full, any shortfall will be written off. However, if the DWP believe you have sold or transferred your property to someone for an amount that is less than the market value, special rules will allow them to treat you as having a higher amount of equity.

Once the SMI loan has been repaid, any charge that was placed on the property will be removed.

You also have the option of making voluntary repayments at any time. There are no early repayment fees, but the minimum repayment you make has to be at least £100.

MY HOME IS ALREADY IN NEGATIVE EQUITY. WILL THIS STOP ME FROM BEING OFFERED SMI LOAN PAYMENTS?

No, this won't stop you. You are entitled to get SMI loan payments regardless of how much equity you currently have in your home.

HOW MUCH INTEREST WILL I BE ADDED WHEN I REPAY MY SMI LOAN?

The amount to be repaid will be based on the total amount of SMI paid to your lender from 6 April 2018 onwards, plus interest. The interest rate charged will be based on the Office for Budget Responsibility's forecast of gilt rates. You should be told what the current interest rate is when the Government contact you about the new loan scheme. However, this figure is likely to change over time. The interest rate can be reviewed by the Government twice a year, with any changes in the amount of interest charged taking effect on 1 January and 1 July.

WILL I BE CHARGED AN ADMINISTRATIVE FEE FOR TAKING UP AN SMI LOAN?

No. There are no administrative fees.

CAN I STOP GETTING SMI LOAN PAYMENTS IF I DECIDE I NO LONGER WANT THEM AT A LATER DATE.

Yes, you can decide to stop having SMI loan payments at any time. However, you will still need to repay any SMI loan payments you have received by that point plus interest, when that property is eventually sold or transferred.

IF I DECIDE NOT TO TAKE SMI LOAN PAYMENTS CAN I CHANGE MY MIND AT A LATER DATE?

Yes. You can take up the offer of an SMI loan at any time, so long as you are still getting one of the means-tested benefits.

HOW WILL THE AMOUNT OF HELP I GET TOWARDS MY MORTGAGE BE CALCULATED UNDER THE NEW SMI LOANS?

The amount of help you get towards your mortgage will be calculated in the same way as the existing SMI scheme. The actual amount paid varies depending on your own circumstances. Important factors include the outstanding amount that is still to be repaid on your mortgage or home improvement loan, whether you are getting any help from mortgage protection insurance payments and in some cases, whether there are other adults living in your property who are not your partner.

I AM ALREADY GETTING SMI PAYMENTS – WHAT HAPPENS NEXT?

You should be contacted in writing by the DWP who will send you a letter and an information booklet. This will happen before the existing SMI scheme ends on 5 April 2018. The DWP first started writing to claimants

in July 2017, but initially this only applied to Pension Credit claimants. It started to write to Employment and Support Allowance claimants in October 2017. It plans to write to most Income Support and Jobseeker's Allowance claimants in January and February of 2018.

Once you have received your letter and booklet, you will also get a telephone call from a company called SERCO who are working on behalf of the DWP. It is our understanding that SERCO will make several attempts to call you in the first two weeks after you receive your letter. Alternatively, you can phone SERCO on the number provided in your letter, to arrange a call at a time that suits you.

The information booklet and call will:

- **explain the consequences of the existing SMI benefit ending**
- **explain the offer of an SMI loan and how you can go about accepting it**
- **give examples of other alternatives to the SMI loan, and**
- **signpost claimants to organisations who offer free help and support.**

Only factual information will be provided – SERCO will not advise you about whether you should take on a SMI loan or not. If you need to seek legal or financial advice, you will need to organise this yourself. Organisations such as a local Citizens' Advice or the Money Advice Service Helpline (0800 138 7777) may be able to help.

If you have a partner living with you, they must also receive a phone call in order to discuss the option of a SMI loan. If you both want to talk to SERCO together you can call them to organise this.

If you want to accept the offer of a SMI loan, you can do so during the phone call or by contacting DWP afterwards. Loan documents will then be sent to you, and to your partner if you have one. If you are a couple, you must both agree to accept SMI loan payments.

Once you have sent back the signed loan documents the DWP will write to you confirming receipt. You will also get a letter confirming when your SMI loan payments will start.

HOW CONTACT CAN HELP

Our helpline advisers can support you with any issue about raising your disabled child: help in the early years, diagnosis, benefits, education and local support.

 0808 808 3555  helpline@contact.org.uk

You can also visit our website to find out more about the help, support and information we offer:

 www.contact.org.uk

Guides for parents

We have a range of in-depth guides for parents. A full list of our guides is at the link below. All our guides are free to parents who call our helpline, and are free to download.

 www.contact.org.uk/publicationslist  0808 808 3555



FREEPHONE HELPLINE

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