

Answers to questions about Support for Mortgage Interest loans



Department
for Work &
Pensions

General questions

What is Support for Mortgage Interest (SMI)?

At the moment you get a benefit called Support for Mortgage Interest (SMI). You may know it as Help with Housing Costs. It pays towards the interest on your mortgage and some home improvement loans that you have had from a lender.

It's either paid straight to your lender or in some cases, paid to you to pass on to your lender. SMI benefit will end on 5 April 2018.

Why is my SMI changing to a loan?

In 2015, the Government announced that SMI benefit would end. The SMI payments give support, so claimants on income-based benefits don't get their properties repossessed.

However, DWP can still provide the same amount of support but as a loan instead of a benefit from 6th April 2018.

Who is the loan going to be from?

DWP will be offering you the SMI loan.

What is an SMI Loan?

It means DWP carry on paying towards your mortgage interest and some other home improvement loans that you have had from a lender, but as a loan instead of a benefit.

SMI loan payments can start from 6 April 2018. You would need to pay back any SMI loan payments from 6 April 2018 onwards. The loan may be secured against your property.

It isn't the same as a normal loan. You don't need to pay back the SMI loan until you sell your property or transfer ownership.

When will SMI loans be introduced?

The SMI loan will be available from 6 April 2018.

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Who will be offered an SMI loan?

Anyone who gets a qualifying benefit or is being treated by DWP as though they are - and has a mortgage to pay - will be offered an SMI loan.

The qualifying benefits are Pension Credit, Universal Credit, Income Support, income-based Jobseekers Allowance and income-based Employment and Support Allowance.

The rules for being offered an SMI loan are the same as the rules for receiving SMI benefit, which is ending.

How will I afford to repay a loan when I'm on benefit?

Even though it is a loan, only people who end up with equity in their property will have to pay it back.

After a house is sold or transferred to someone else, any equity must be used to pay back DWP. But if there isn't enough equity, any amount that can't be paid back will be completely written off.

So, for as long as you live in your house, you don't need to pay back the loan.

Who is being affected by the SMI change?

Everyone who receives SMI as a benefit is affected - it will end on 5 April 2018.

After that date, any claimants who qualify for support will be offered an SMI loan instead of the benefit.

Will my income based benefit be affected if I accept the offer of the SMI loan?**If you get your SMI paid to your lender**

Your income based benefit is based on your personal circumstances. If your circumstances don't change, the amount you get to live on won't change. Your lender will also carry on getting payments towards the interest on your mortgage and/or home improvement loans that you have had from your lender.

If you get your SMI as part of your income-based benefit

Your income based benefit is based on your personal circumstances. If your circumstances don't change, the amount you get to live on won't change. You will also carry on getting payments towards the interest on your mortgage and/or home improvement loans that you have had from your lender.

If I accept the loan offer now, when will it start?

The earliest the SMI loan can start is 6 April 2018. Any payments before that are SMI benefit payments and they won't need to be repaid.

When can I accept an SMI loan?

It can be accepted at any time as long as you still get a qualifying benefit and you have a mortgage.

Can I choose to stop getting SMI loan payments?

Yes, you can stop getting SMI loan payments at any time. You just need to contact DWP and let them know. Your SMI loan will still have interest added to it until it is paid back.

Am I definitely going to be offered an SMI loan?

Yes. As long as you carry on getting a qualifying benefit (or are being treated by DWP as though you are), and have a mortgage to pay.

If you claim Universal Credit - As long as you carry on getting Universal Credit payments, have a mortgage to pay and you/your husband/wife/partner/civil partner have not received any earned income.

Will accepting this SMI loan affect my Credit Rating?

No. The SMI loan will not appear on any credit report and DWP won't do a credit check.

I have a poor Credit Rating; can I still get a SMI loan?

Yes - there is no credit check.

Will I be asked to pay what I have already received as benefit before the loan was introduced?

No. Anything paid before 5 April 2018 is a benefit payment and will never need to be paid back.

Will DWP profit from these loans?

No. DWP won't make a profit from SMI loans. The interest rate charged is the same as DWP pays to borrow the money.

I want to think about whether this SMI loan is the best option for me. Is there somewhere that can give me information if I think of anything after this call?

You have been sent an information booklet that contains helpful information.

There is information on www.gov.uk and organisations that can offer help and advice can be found on www.moneyadvice.service.org.uk or call 0300 500 5000.

Can you advise me on whether accepting the offer of the SMI loan is the best thing for me?

We can't offer you advice on what you should do.

It's up to you to consider your options before making any decision. If you need help or support, you can speak to independent organisations.

Money Advice Service - www.moneyadvice.service.org.uk or call 0300 500 5000.
Citizens Advice - www.citizensadvice.org.uk for England and Wales or www.cas.org.uk for Scotland.

I would like some more information about the loan and its terms and conditions?

The terms and conditions are explained in the notes that come with the loan documents.

You might want to get independent help and support to talk you through them. The Money Advice Service or Citizens Advice can help you find that support.

Money Advice Service - www.moneyadviceservice.org.uk or call 0300 500 5000.

Citizens Advice - www.citizensadvice.org.uk for England and Wales or www.cas.org.uk for Scotland.

How will I know how much SMI loan and interest I need to pay back?

You will get a statement each year telling you this information.

Questions about the call you had with Serco, your letters and loan documents

I have been sent the loan documents. What do I do with them?

If you want to accept the offer of the loan you need to:

- Make sure you have signed all the documents you need to. The letter that came with the documents explains who needs to sign where
- Keep a copy of each for your records
- Send the documents back in the pre-paid envelope.

If you don't want to accept the offer of the loan, you don't need to do anything with the documents.

Why does my husband/wife/partner/civil partner need to sign the forms when they're not on the mortgage?

When DWP considers what support it can give, we treat you and your husband/wife/partner/civil partner as a couple and not two separate people. So to accept the SMI loan, we would need you both to agree to this joint support.

What happens if my husband/wife/partner/civil partner doesn't agree to sign the loan documents?

Any husband/wife/partner/civil partner who lives with you has to agree and sign the documents. If not, the SMI loan payments can't be made because we treat you as a couple not two separate people.

Questions about the SMI loan

How much does it cost to set up an SMI loan?

You won't have to pay any fees to set up the SMI loan, cancel it or repay it early.

If you get paid advice or help with filling in the forms, DWP won't be able to pay for this.

How is an SMI loan repaid?

You pay back DWP when you sell your property or transfer ownership to someone.

You might want to make voluntary repayments – for example, if you find work. That's completely up to you and DWP will never ask for early repayments.

The minimum voluntary repayment will be £100.

If I turn down the SMI loan, when will my SMI benefit payments stop?

5 April 2018 will be the last day that SMI will be paid as a benefit.

How much interest will I have to pay?

The interest you pay will depend on the amount of your SMI loan, the interest rate and how long it takes to pay back DWP.

The longer you have the loan, the more interest you will need to pay back.

What if there isn't enough when I sell my property to repay the SMI loan in full, will I only pay part of the loan?

If you don't have enough equity left to pay back DWP in full, DWP will write off what you can't pay back.

For example:

You sell your house and have £3000 equity remaining.

If you owe £5000 in SMI loan payments and interest, you will pay back £3000 to DWP. The remaining £2000 will be written off. You will never be asked to repay this extra amount.

Some other questions you may have

What happens to the SMI loan if I leave my property to my children/ a beneficiary?

If someone inherits your property, they will need to pay back DWP from any available equity if the property is sold or ownership transferred.

Any outstanding mortgage will always be paid first. If there isn't enough money left to pay back DWP, any remaining amount will be written off. This means DWP will never ask for it to be repaid.

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What happens if there is a family member, other than a husband/wife/partner/civil partner or a third party, with interest in my house?

DWP will still offer you an SMI loan. They don't need to sign the forms, as we will only look to place a charge on your share of the property.

Does having a charge on my property make a difference if I need to re-mortgage?

No, it will make no difference if you come to re-mortgage your property.

When I return to work, or if my benefit payments stop, will I have to start repaying the SMI loan?

You don't have to pay back anything until your property is sold or ownership is transferred to someone else.

However, you might want to make voluntary repayments if you can afford to. This would reduce the amount that you will need to pay back when you sell your property or transfer ownership.

Repaying the SMI loan early would mean you pay less SMI interest.

I am a lone parent, I bought the property with my ex-husband/wife/partner/civil partner and they pay half of the mortgage. If I want to accept this Support for Mortgage Interest loan, can I do so without their agreement?

Yes you can. The charge form you sign allows DWP to seek a charge on only your share of the property.

How do I get, or become, a Power Of Attorney?

If you think you need a Power Of Attorney, or need to become one, please visit www.gov.uk/become-deputy or www.gov.uk/power-of-attorney.

Where can I go for an independent help and support?

You can get independent help and support from The Money Advice Service and Citizens Advice.

Their contact details are:

Money Advice Service -

www.moneyadviceservice.org.uk or call 0300 500 5000.

Citizens Advice -

www.citizensadvice.org.uk for England and Wales or www.cas.org.uk for Scotland.

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Examples of how interest may be added to an SMI loan

This example assumes we will pay the same amount of SMI loan each year. The examples are for illustrative purposes only. However, the amount we pay is based on the SMI standard interest rate. The SMI standard interest rate can change, which means the amount we pay can go up or down. We write to you when the SMI standard interest rate changes.

The longer you have the loan, the more interest you will need to pay back. We will add interest to the total amount of SMI loan payments we have made, until it is paid back or written off. Serco will have told you what the interest rate would be at this time, but this might not be the interest rate in April 2018. The interest rate can change, which means the amount of interest you will pay can go up or down. The interest rate will change no more than twice a year. The total amount of interest you will owe at any time will depend on the amount of your SMI loan, the interest rate and how long it takes to pay back DWP. In the examples below, we have assumed interest rates for years 1 to 4 are based on the forecast gilt rate given in the 'OBR economic and fiscal outlook of March 2017'. In the following years, the assumed interest rates are purely illustrative and are not based on any published forecast.

The content of the examples in this document is for illustrative purposes only.

Example 1: We pay £22 each week towards the interest on your mortgage. This totals £1,144 over 1 year. This is the amount of your SMI loan.

	Amount of SMI loan owed at the beginning of the year	Amount of SMI loan payments we make that year towards your mortgage interest	Amount of SMI loan owed, before interest owing for the current year is added	Example of annual interest rate added to loan	Amount of interest added that year	Total amount of SMI loan owed at the end of that year. (this is made up of the total SMI loan payments paid plus total interest we have added)	This is the cumulative total amount of interest included in the amount of SMI loan owed
Year 1	£0	£1,444	£1,444	1.70%	£11	£1,155	£11
Year 2	£1,155	£1,444	£2,299	1.90%	£34	£2,332	£45
Year 3	£2,332	£1,444	£3,476	2.00%	£59	£3,535	£104
Year 4	£3,535	£1,444	£4,679	2.20%	£91	£4,771	£195
Year 5	£4,771	£1,444	£5,915	2.20%	£119	£6,033	£313
Year 10	£11,367	£1,444	£12,511	4.00%	£479	£12,991	£1,551
Year 15	£20,160	£1,444	£21,304	4.00%	£831	£22,135	£4,975

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Example 2: We pay £43 each week towards the interest on your mortgage. This totals £1,853 over 1 year. This is the amount of your SMI loan.

	Amount of SMI loan owed at the beginning of the year	Amount of SMI loan payments we make that year towards your mortgage interest	Amount of SMI loan owed, before interest owing for the current year is added	Example of annual interest rate added to loan	Amount of interest added that year	Total amount of SMI loan owed at the end of that year. (this is made up of the total SMI loan payments paid plus total interest we have added)	This is the cumulative total amount of interest included in the amount of SMI loan owed
Year 1	£0	£2,236	£2,236	1.70%	£21	£2,257	£21
Year 2	£2,257	£2,236	£4,493	1.90%	£66	£4,558	£86
Year 3	£4,558	£2,236	£6,794	2.00%	£115	£6,910	£202
Year 4	£6,910	£2,236	£9,146	2.20%	£179	£9,324	£380
Year 5	£9,324	£2,236	£11,560	2.20%	£232	£11,792	£612
Year 10	£22,218	£2,236	£24,454	4.00%	£937	£25,391	£3,031
Year 15	£39,403	£2,236	£41,639	4.00%	£1,624	£43,263	£9,723