

Changes to the Support for Mortgage Interest (SMI) benefit from 6 April 2018



Department
for Work &
Pensions

What is SMI?

If you're a homeowner, SMI might be able to help you pay the interest on your mortgage and on some home improvement loans. It used to be called 'Help with Housing Costs'. **SMI is now paid as a loan**, but was paid as a benefit until 5 April 2018.

If you claimed SMI before 6 April 2018

DWP will have been in contact in writing to offer you an SMI loan. An SMI loan is one of several options open to you for paying your mortgage interest.

If you received SMI before 6 April

You will have received a letter from DWP telling you about these changes. If you have not received the letter then please call us on the numbers detailed on p. 2 of this factsheet. If you have a letter, you need to decide how you want to carry on paying your mortgage interest, and home improvement loans from 6 April 2018. **You should consider:**

- How much mortgage you have left to pay.
- How much mortgage interest you pay. *Your annual statement from your **mortgage lender** tells you this.*
- How much DWP pays towards your mortgage interest and home improvement loans as SMI benefit.

*Your annual statement from **DWP** tells you how much SMI benefit is being paid.*

Examples of ways you can pay your mortgage interest

Once you know this information, you can start thinking about ways to keep paying your mortgage interest. For example, you could:

Accept the offer of an SMI loan

- DWP has offered the SMI loan to everyone who received SMI as a benefit. If you accepted the SMI loan, DWP will carry on paying regular payments towards your mortgage interest and some home improvement loans but as a loan not a benefit. **If you only accept the loan now, then payment can be backdated to 6 April.**
- The loan payment amounts are directly equivalent to what you received from SMI as a benefit, as long as your circumstances are the same.
- Any SMI loan payments made after 6 April 2018 will need to be paid back. You don't need to pay back the SMI loan until you sell your property or

transfer ownership of it. You only need to repay the loan if there is sufficient equity in the property to do so when it is sold.

Contact your mortgage lender

- Mortgage lenders know that the SMI benefit ended on 5 April 2018. Your mortgage lender may be able to suggest other ways to manage your mortgage payments, but this will depend on your individual circumstances so you should contact them directly .

Use savings and investments

- If you have savings and investments, you may be able to use these to pay your mortgage interest or reduce the overall amount you owe your mortgage lender. You may want to seek financial guidance or advice before doing this.

Ask family or friends if they can help

- If you have family or friends who have their own income, you may want to ask them if they are able to help with mortgage interest payments.

Speak to a Credit Union or bank/building society

- A Credit Union, bank or building society may be able to offer loans as well as savings and bank accounts. Consider what interest rates they charge before taking out a loan. They may require you to go through a credit check.

Move to a different property

- The size of your home and where it's located can make a difference to how much it is worth. Moving home may change the amount of mortgage you need – you may be able to have a smaller mortgage, or you may not need a

mortgage at all.

Further information about the SMI loan

The SMI loan is different to a normal loan because you don't get a lump sum. Instead, regular payments



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will be made towards the interest on your mortgage and some home improvement loans.

- There are no fees to set up the loan.
- There is no credit check.
- If you need someone to formally make financial decisions on your behalf, e.g. due to dementia or severe learning disability, SMI as a benefit can continue for a period, if needed.
- You will need to pay the loan back, if there is sufficient equity in the property to do so when it is sold. The total amount you owe will go up as payments are made towards the interest on your mortgage. For example, if DWP make 12 payments of £50, you would owe £600 (plus interest).
- Compound interest will be added to the total amount you owe DWP until it is paid back or written off.
- DWP is not making a profit from SMI loans. The interest you are being charged will be at a similar rate to what the government pays. The interest rate charged on the SMI loan will change no more than twice a year each January and July. It can go up or down but is forecast at 1.5% from April 2018; this will change to 1.7% from July 2018.
- It is a secured loan. If you accept the SMI loan, DWP may place a second charge on your property. This means that when you sell your property or ownership is transferred, you must pay back DWP from any remaining equity once your mortgage is repaid. You will only need to repay the loan if there is sufficient equity in the property to do so when it is sold.
- You'll get a statement every year telling you how much SMI loan you have borrowed, and how much interest has been added.
- You can ask to stop getting SMI loan payments at any time.
- If your income-based benefit changes or ends, your SMI loan payments may stop.
- **Taking on an SMI loan does not affect any other benefits, e.g. pension credit. This includes means-tested benefits.**

How the SMI loan is repaid

You will never need to make monthly repayments to pay back the SMI loan unless you want to, and you



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won't need to repay the SMI loan until you sell your property or transfer ownership.

There are two ways you can repay the SMI loan:

- Make repayments at any time. The minimum amount you can pay is £100 or the outstanding balance, whichever is less. This is completely voluntary and only if you're able to.
- Pay it back from the equity when you sell your property or transfer ownership.

Equity is the money left after you pay back everything secured against your property including your mortgage.

If there isn't enough money left to repay the loan in full, don't worry. DWP will write off the remaining amount and you won't have to repay any more.

Where can you get help and support

You need to decide if an SMI loan is the best option for you and your household. You may want to seek help and support from family and friends.

You can also get free and impartial information about how to make the best of your money over the telephone and online.

- Money Advice Service: www.moneyadviceservice.org.uk or **0800 138 7777** for more information.
- Shelter: www.shelter.org.uk in Scotland and England, or www.sheltercymru.org.uk in Wales.
- Citizens Advice: www.citizensadvice.org.uk for England and Wales, or www.cas.org.uk for Scotland.

You can find more detailed information about SMI here: www.gov.uk/support-for-mortgage-interest

Telephone numbers

If you received SMI before 6 April 2018 and have not received a letter or telephone call about SMI loans, then please call the following numbers:

If you're over State Pension age

Telephone: 0800 731 0469
Textphone: 0800 731 0464
Welsh language: 0800 731 0453

If you're of working age

Telephone: 0800 169 0310

Textphone: 0800 169 0314
Welsh language: 0800 328 1744