Birmingham City Council

DEBT ADVICE LINE
0121 303 2087

Debt Advice Team
FACTSHEET

SUPPORT FOR MORTGAGE INTEREST

If you are claiming Income Support, income-based Jobseeker's Allowance or income-related Employment & Support Allowance and you are a homeowner, your benefit may include additional Support for Mortgage Interest (SMI) from the Department of Work and Pensions (DWP).

Payments can be made towards a customer's mortgage interest payments for loans taken out to purchase the property or for specific home improvement loans. No guarantee can be made that the DWP will meet a loan prior to it being taken out. No help can be provided towards housing costs such as payments of capital owed on a loan, insurance premiums or mortgage arrears.

From 5 January 2009, a temporary package of measures was introduced to provide extra help to new customers in light of the economic downturn. These changes will be reviewed when the housing market recovers.

Rules that apply to new claims from 5 January 2009

For customers making a new claim to benefit from 5 January 2009:

- There is a waiting period of 13 weeks before help is provided at 100% of eligible mortgage interest.
- The capital limit up to which mortgage interest can be met is £200,000.
- There is a two year time limit on payment of mortgage interest but only for new Jobseeker's Allowance claims.
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Customers in receipt of help with mortgages over £100,000 under the new rules will keep the higher capital limit when they move onto State Pension Credit from a working age benefit for as long as they remain entitled to State Pension Credit.

Rules that apply to customers in receipt of help prior to 5 January 2009

If you are already receiving help with your mortgage before 5 January 2009, the help you receive will not be changed, and you will be treated under the old rules. If you stop claiming and a future claim links to your previous claim under the department's linking rules, you will be treated under the old rules. The old rules are:

- Different rules apply depending on whether the loan was taken out before or after Oct 2 1995
- For loans to purchase the property (& home improvement loans) taken out after 2 October 1995, there is a waiting period of 39 weeks before help is provided, and 100% of eligible mortgage interest is paid from week 40.

- Vulnerable customers who fall into certain specific groups, and customers with a loan taken out prior to 2 October 1995, receive no help for the first 8 weeks of their claim, 50% of eligible interest for a further 18 weeks and 100% of their eligible mortgage interest from week 27.
- The capital limit up to which mortgage interest can be met is £100,000.

If you claim Pension Credit, there are certain conditions that apply to claiming help towards mortgage interest payments. These are:

- there isn't a waiting period before you receive help with mortgage interest payments
- you'll be able to claim for mortgage interest on up to £100,000 of your mortgage

SMI assists people with the interest only on their mortgage. There is a standard rate of interest paid. Some homeowners may have actual interest rates that are lower than the standard rate used to calculate SMI payments. This means you receive more SMI than required to meet the payments due to your lender. These payments can only be credited to your mortgage account.

If you are a homeowner with a mortgage and on low income you should contact the Department of Works and Pension (the phone number will be on the letter advising you of your benefit entitlement) to see if you are entitled to claim for help with mortgage interest. They will send you a form which needs to be forwarded to your mortgage lender. Payments from the DWP are made direct to your mortgage lender and are made ever 4 weeks. Mortgage payments are usually due calendar monthly. You will be responsible for any shortfall, remember the DWP will not be making any payment towards the capital repayment of your mortgage. There may also be deductions if you have non-dependants living at your property.

Homeowner who are on the qualifying benefits or on low incomes should also make sure they contact the Council's Benefits Service to make a claim for Council Tax Benefit 0121 464 7000.

The Support for Mortgage Interest scheme is not the only way to get help if you are having problems with your mortgage.

Remember, your home is at risk if you do not pay the mortgage or other loans secured on your property

The information provided in this factsheet is for guidance only. Before embarking on any strategy it is important to seek advice

Further Information

Debt Advice can be obtained from Birmingham City Council on **0121 303 2087** or your local Neighbourhood Office (please call **0121 303 1111** for your nearest office).

You can also visit the Council's website:

www.birmingham.gov.uk/debtadviceteam

More information about support for home owners can be found at

www.communities.gov.uk/housing/

www.direct.gov.uk/en/HomeAndCommunity/

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