



## **Staying in, taking control**

### **Fact Sheet 3:**

### **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).

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 Department of Work and Pensions 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.

The changes will also help those who are already receiving benefit, but are still in a waiting period (under the old rules) for help with their mortgage interest at 4 January 2009:

- Customers who have served 13 weeks or more of their waiting period by 4 January 2009 will be entitled to help with mortgage interest from 5 January.
- Those who have served a period of less than 13 weeks at 4 January will receive help at the point at which they will have served a full 13 weeks.
- Vulnerable customers who fall into certain specific groups, and people with mortgages taken out before October 2 1995, receive help at the 50% rate on capital up to £100,000 after waiting 8 weeks, and then they will receive the full rate on capital up to £200,000 after 13 weeks from their date of claim.
- The higher capital limit of £200,000 will apply to these groups as well as the two year time limit for those on Jobseeker's Allowance.

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 as follows:

- 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.

## Rate of interest

SMI assists people with the interest on their mortgage. The amount of SMI is worked out by applying a Standard Interest Rate (SIR) to the capital outstanding on the mortgage.

The SIR is normally based on the Bank of England interest rate plus an additional 1.5 per cent. However, in November 2008, the Government froze the SIR at 6.08 per cent for six months, for all existing and new SMI customers, including those claiming Pension Credit. In the Budget, the Chancellor announced that the SIR freeze would be extended for a further six months to the end of December 2009, in order to provide continued support for homeowners.

When this measure was introduced in November 2008, some people experienced a temporary drop below 6.08 per cent. This is because it took time to adapt our IT systems, but we took urgent action to ensure that customers did not lose out.

A corrective adjustment took place, for a period of five weeks, from 2 February to 8 March 2009. During this time, customers received an increase in their benefit to compensate them for the earlier reduction. Then, from 9 March, benefit was readjusted to the correct level with the SIR set at 6.08%.

It is possible that the reduction in benefit could have had a knock-on effect for those customers who are also claiming Council Tax Benefit. This is because entitlement to certain benefits can carry with it a linked entitlement to Council Tax Benefit.

If this affected you and you require further advice, you can contact your local Jobcentre Plus office.

This information is only a guide, and does not cover every circumstance.