



Institute of Money Advisers Annual Conference & AGM 2018



Money advice: credit where credit's due



Support for Mortgage Interest (SMI) – from benefit to loan

Rent

Housing Benefit

Universal Credit (2013)

Mortgage (SMI)

(SMI loan 06/04/18)

Income Support

Income-related ESA

IBJSA

Pension Credit

Universal Credit (2013)



Support for Mortgage Interest (SMI) – from benefit to loan

- 2011 government publish
“SMI – informal call for evidence.”
- Issue reappeared in 2015 budget.
- Regulations laid down in 2017.
- **6th April 2018** – implementation.



How many households/ How much is being paid in SMI?

- 124,000 receiving SMI (240,000 in 2011).
- 45% on Pension Credit.
- Average weekly award £27 (£20 PC, £40 working age benefits).
- Equates to a mortgage balance of £40k PC and £80k for working age.
- Average HB award for rent is £87 pw.



SMI loans – the basics

- Help no longer included in your UC/ IS/ IRESA/ IBJSA/ PC – offer of a loan instead. A voluntary scheme.
- Not a social security benefit
- Paid monthly in arrears (UC)/ four weekly other benefits
- Normally repayable and interest charged
- Charge on your property



SMI loans – the process

- “Warm up” letter and “Information about SMI benefit ending” booklet (INFSMI 08/17)
- Serco will phone. Claimant and partner must receive relevant information about the scheme and its consequences
- If accept loan – process begins, will be sent loan agreement and charge form to sign and return.



Who can get an SMI loan?

- entitled to UC or entitled to (or treated as entitled to) IS, IRESA, IBJSA or PC **and**
- Your loan qualifies **and**
- If UC – no earned income **and**
- You count as liable to pay the mortgage **and**
- You accept DWP offer of a loan, sign and return loan agreement



Which mortgages qualify?

- IS/ IRESA/ IBJSA/ PC – mortgages and loans for house purchase and specified repairs and improvements.
- UC – mortgage whatever the purpose of the loan.
- UC/ PC – “alternative finance payments” i.e. payments made to enable you to acquire an interest in your home, e.g. sharia compliant mortgages. Home purchase plans



Occupying accommodation as a home

To get a SMI loan you must normally occupy the accommodation as your home. However, there are some exceptions e.g. -

- Liable to make payments for more than one dwelling e.g. domestic violence.
- Temporarily absent from your home e.g. in hospital, care home, fear of violence, providing care elsewhere, repairs being carried out on your home, some full-time students.



SMI loan calculation

- Kylie is an owner-occupier with a mortgage; the balance is **£175,000**.
- She's unemployed and her only income is UC.
- She accepts the offer of an SMI loan.
- $£175,000 \times 2.61\% = £4,567.50 \div 12 = \mathbf{£380.63 \text{ pm}}$
- If she gets SMI loan for 17 months debt to DWP would be £6,470.71 plus interest.



Capital ceilings

- £200,000 – UC, IBJSA, IRESA, IS
(£100,000 prior to 05/01/09)
- £100,000 - PC
- Disability adaptations loans disregard



SMI loan interest calculation

Interest - $£380.63 \times 1.5\% \div 12 = 48p$

Month 1 £380.63
 .48 +
 £381.11

Month 2 £381.11
 £380.63 +
 £761.74
 .95 +
 £762.69



SMI loan roll-up – long term

Average pensioner SMI loan amount £90 pm
(balance of £41,000)

After 20 years interest would be £31.46 pm

Total amount to be paid back is £25,202.90 of
which £3,603 is interest.



When do SMI loan payments start?

- PC – your first date of entitlement
- IS, IBJSA, IRESA – waiting period 39 weeks
- If UC – following nine consecutive assessment periods
- Transitional provisions for those getting SMI as at 05/04/18



When do SMI loan payments stop?

Indefinite (no two year IBJSA limit) but you can opt out at any time. **It ends if:**

- No longer entitled to UC, IS, IBJSA, IRESA or PC
- UC – any earned income
- No longer occupying or treated as occupying your home
- No further liability to pay the mortgage
- Bankruptcy/ IVA?



Repayment of the SMI loan

Repayment not required until:

- Sale or ownership transferred to someone else
- Your death. SMI loans can be paid from the estate.
- Can repay/ part repay (minimum £100) at any time (e.g. when you get a job)
- If the equity does not cover the total you owe, the remainder is written off



SMI – from benefit to loan

Questions?