Housing – Mortgages

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Introduction

The Universal Credit award includes an amount in recognition of the eligible housing costs the benefit unit has to pay. For owner-occupiers, the amount is determined by reference to the amount of outstanding mortgage or loans secured on their home. This amount is usually paid direct to the lender.

Support for Mortgage Interest

Help with mortgage interest payments is made through the benefits system, to support people maintain their existing, reasonable mortgage commitments and remain in their house.

A contribution towards the eligible interest on loans taken out to purchase the property and any other loans secured on the claimant's property subject to the capital limit, currently £200,000, providing reasonable help for homeowners.

Eligibility

In Universal Credit, there exists a "zero earnings" rule for owner occupiers. Any person who is in receipt of "earned income" will not qualify for help with their mortgage.

Earned income includes any earnings from work, and certain benefits that employers pay including Statutory Sick Pay and Statutory Maternity Pay.

Help is limited to claimants who have an unbroken claim for 39 weeks, before 01 April 2016 the waiting period was13 weeks.

For a break in the claim or, if any form of income or earnings is recorded for an adult member of the benefit unit, the waiting period starts again. There is no linking period.

If a claimant has migrated to Universal Credit from an income-based legacy benefit or has claimed Universal Credit within one month of the legacy benefit ending, time spent on that benefit counts towards the waiting period.

Legacy benefits are:

- Income Support
- income-based Jobseeker’s Allowance
- income-related Employment and Support Allowance

There are no income or earnings rules for time spent on legacy benefits but the income rule applies from the date they move to Universal Credit.

Calculating Support for Mortgage Interest

In Universal Credit, all loans secured on a claimant’s property will be eligible for help, subject to the capital limit. Help is available for mortgages or loans secured on your property up to a total maximum of £200,000 for working age claimants. Claimants can also get help with the actual costs of any Eligible Service Charges.

Owner occupier housing costs, if payable, will take account of the balance outstanding on the mortgage and other loans secured on the claimant’s property. A standard interest rate is used to calculate the amount of owner occupier housing costs.

A mortgage and / or loan specifically used for adaptations to a claimant’s property does not count towards the £200,000 limit, as long as these adaptations are to meet the needs of a disabled person in the benefit unit (household).

Example 1: a person with a £190,000 loan borrows another £40,000 for disability-related adaptations; the eligible loan is £230,000.

Example 2: a person with a £220,000 loan borrows £40,000 for disability-related adaptations; the eligible loan is £240,000 (i.e. £200,000 capital limit for the loan plus £40,000 for the adaptations).

To calculate the amount of Support for Mortgage Interest payable, a standard interest rate is applied against the total loan amount. The interest rate is tied to the Bank of England published average mortgage rate. The Universal Credit assessment tool, is used for manual calculations applies the current interest rate to automate the calculation.

Payment of Support for Mortgage Interest

It is paid direct to the lender, where that lender is a participant in the Managed Payments to Mortgage Lenders (MPML) scheme and on the Qualifying Lenders Register (QLR). The vast majority of mortgage lenders are part of the QLR and can be identified by relevant lender codes. Payments go direct to the lender, monthly in arrears in line with UC Assessment Periods. Lenders pay a transaction charge for this service (billed quarterly and reviewed annually). Payment will be sent to the claimant if the lender is not on the QLR.

From April 2018, new Support for Mortgage Interest payments will be paid as a loan repaid upon sale of the house or, on a voluntary basis when the claimant returns to work.

See also – guidance for Shared Ownership

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