Mortgages

Support for Mortgage Interest

Support for Mortgage Interest is help a claimant may receive towards interest payments on their mortgage or loans that were used for certain repairs and improvements to their home.

Where payable, the housing costs take account of the balance outstanding on the mortgage and other loans secured on the claimant's property. Support for Mortgage Interest is normally paid direct to the claimant's lender.

Where the claimant's lender is not on the Qualifying Lenders Register the Support for Mortgage Interest is paid direct to the claimant. Clause 2.2 of the Loan Agreement signed by all claimants as a condition of the Support for Mortgage Interest loan requires all the money to be paid to the mortgage lender.

Support for Mortgage Interest is paid as an interest bearing loan, secured against the property and recoverable from any available equity when the home is sold, transferred or the loan holder dies.

Support is available for interest payments on up to £200,000 of the outstanding loan or mortgage. A standard interest rate, based on the average mortgage rate published by the Bank of England, is used to calculate the amount of Support for Mortgage Interest that can be paid.

A mortgage and / or loan specifically used for adaptations to a claimant's property to meet the needs of a disabled person in the household do not count towards the £200,000 limit.

Eligibility for a loan

Claimants may qualify for a Support for Mortgage Interest loan after they have been receiving Universal Credit continuously for 9 assessment periods with no earned income.

Support is only available for claimants occupying their home or to be treated as occupying their home. Claimants fleeing domestic violence should be treated as occupying their home and continue to receive a Support for Mortgage Interest loan.

For information on earned income, see Treatment of earnings.

When applying for a Support for Mortgage Interest loan, a claimant must complete a UCMI12 to check eligibility.

All claimants must have an information call. The purpose of the call is to provide impartial information about the Support for Mortgage Interest loan.

Claimants must correctly sign a Loan Agreement and Charge Form before receiving Support for Mortgage Interest. The Loan Agreement is a legally binding document and sets out the terms and conditions of the loan.

The Charge Form enables the loan to be secured through a charge against the property for England and Wales and a Standard Security is used for Scotland.

For joint claimants, both members of the claim are required to sign both the Loan Agreement and Charge Form.

Transferring a Support for Mortgage Interest loan (known as porting)

When a claimant moves to a new property they will be able to transfer their SMI loan to the new property. This is known by mortgage companies and solicitors as ‘porting’.

This allows claimants to move property without repaying their SMI loan. The outstanding balance will be transferred to the new property.

When a claimant sells their house any proceeds may increase their capital which could affect their entitlement to Universal Credit. In some cases, capital disregards may apply.

Claimants asking about porting or transferring their SMI loan must be signposted to GOV.UK for more information and support. They must also be advised to report their new address when they have moved to the property.

Moving onto Universal Credit from legacy benefits IS, JSA (IB) or ESA (IR)

Claimants who move onto Universal Credit from IS, JSA (IB) or ESA (IR) or make a claim within one calendar month of that benefit ending, ensuring no earned income is declared the time spent on that benefit will count towards the qualifying period.

There are no income or earnings rules for time spent on IS, JSA (IB) or ESA (IR) but the income rule applies from the date they move to Universal Credit.

Where a Support for Mortgage Interest loan amount was in payment on the IS, JSA (IB) or ESA (IR) it will continue on the Universal Credit claim unless the claimant or partner have any earned income.

Changes in income

Where the claimant or partner receives any earned income Support for Mortgage Interest will not be payable for that assessment period or subsequent assessment periods, until they re-qualify for Support for Mortgage Interest. Earned income includes any earnings from work and certain benefits that employers pay including Statutory Sick Pay and Statutory Maternity Pay.

If there is a break in Universal Credit claim, or earned income is reported, Support for Mortgage Interest stops and claimants must serve the qualifying period again. There is no linking period.

Paying back the loan

Support for Mortgage Interest is paid as a loan secured by a charge on their property and repayable with interest when:

- the property is sold
- ownership is transferred
- the claimant dies.

The loan can also be repaid on a voluntary basis. The minimum voluntary repayment is £100 unless the total outstanding balance is less than £100.

Mortgage Payment Protection Insurance

Following the introduction of the loans for mortgage interest, Mortgage Payment Protection Insurance policies or any equivalent payments, are no longer taken into account as income in Universal Credit.

Service Charges

Claimants may qualify for help with service charges after they have been receiving Universal Credit continuously for 9 assessment periods with no earned income. For more information, see Service Charges.