Mortgages

Support for Mortgage Interest

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

The claimant must have Universal Credit entitlement in order to receive SMI.

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.

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

Support for Mortgage Interest is paid as an interest-bearing loan. It is 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 for 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. The amount of SMI to pay is calculated automatically even if the amount owed on the mortgage and/or loan is greater than £200,000 due to adaptations.

Eligibility for a loan

Claimants may qualify for a SMI loan after they have been receiving Universal Credit continuously for 3 assessment periods, except where a claimant receives a nil award due to any reason, in which case the qualifying period starts again.

Support is only available for claimants occupying their home or is to be treated as occupying their home. Claimants fleeing domestic violence must be treated as occupying their home and continue to receive a SMI loan. When applying for a SMI 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 SMI loan.

Claimants must correctly sign a Loan Agreement and Charge Form before receiving SMI. The Loan Agreement is a legally binding document that 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.

Once the qualifying date has been reached, SMI payments start being paid the day after the date calculated in the SMI calculator.

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 who ask 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 into the property.

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

Claimants who move to Universal Credit from IS, JSA (IB) or ESA (IR), or make a claim within one calendar month of that benefit ending will have the time spent on that benefit count towards the qualifying period.

Changes in income

If the claimant or partner are in receipt of SMI and their Universal Credit award is reduced to nil for any reason, they will not need to re-serve the new 3-month qualifying period if they are awarded Universal Credit again within 6 months.

Examples: effect of earnings on qualifying periods

Example 1:
Where a new claim or reclaim is made and the claimant receives Universal Credit for 2 assessment periods, then in assessment period 3 the claimant earns a significant amount, and their Universal Credit is nil due to those earnings.

The claimant’s qualifying period is reset.

The claimant receives a Universal Credit award again in assessment periods 4, 5 and 6, they are entitled to SMI in assessment period 7.

Example 2:
If a claimant is serving their qualifying period and receives earnings that does not nil their Universal Credit award, then their qualifying period is not affected.

Example 3:
Claimant receives Universal Credit for 3 assessment periods and receives SMI from assessment period 4.

In assessment periods 5 and 6, claimant earns a significant amount, and their Universal Credit is nil due to those earnings.

In assessment period 7, claimant has no earnings and receives Universal Credit. Claimant will not receive SMI for assessment period 5 and 6 but will receive SMI for assessment period 7 as their nil award was not longer than 6 assessment periods.

Example 4:
Claimant receives Universal Credit for 3 assessment periods and receives SMI from assessment period 4.

In assessment period 5, claimant has earnings that does not nil their Universal Credit award, claimant will still be entitled to SMI.

Paying back the loan

Support for Mortgage Interest is paid as a loan secured by a charge on the property and is 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 SMI loans, Mortgage Payment Protection Insurance policies or any equivalent payments are no longer taken into account as income for 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.

Service charge payments start being paid from the Assessment Period after the date calculated in the SMI calculator.

See Service charges for more details.