

# Information about Support for Mortgage Interest (SMI) benefit ending

**Please make sure you read and understand  
this information booklet**

## **This information booklet**

- tells you about the SMI benefit ending and what support is available to you
- tells you that Department for Work and Pensions (DWP) will offer you an SMI loan
- gives you examples of other ways to pay your mortgage interest instead of an SMI loan
- gives you 2 checklists – things to think about before Serco call you, and things to do before you make your decision.

Please have this booklet to hand when you get a call from Serco, who work on behalf of DWP. They will go through this information in more detail.

The information in this booklet is not financial advice. You need to decide if an SMI loan is the best option for you and your household. To find contact details of organisations that can help, please see pages 4 & 5 of this information booklet.



Department  
for Work &  
Pensions

**INFSMI 08/17**

## The SMI benefit you get will end

You are getting a benefit called Support for Mortgage Interest (SMI). You may know it as Help with Housing Costs. This benefit pays towards the interest on your mortgage and some home improvement loans that you have had from a lender. SMI benefit will end on 5 April 2018.

Instead, DWP can offer you an SMI loan from 6 April 2018.

This booklet explains how the SMI loan works, but it is just one of the options you have. We have given examples of other options on pages 3 & 4.

**It's your responsibility to make sure you pay your mortgage interest from 6 April 2018. If you don't take action, your home may be at risk.**

Remember, if you have a husband/wife/partner/civil partner living with you, you **must** talk to them about how you will both carry on paying your mortgage interest. You can't get an SMI loan unless the correct loan documents are signed by both of you.

Use the call with Serco to talk through your options. If you have a husband/wife/partner/civil partner living with you, you might find it easier to have the call together.

## How to get information about your current mortgage

To make the right decision for you and your household, you need to

- find out how much mortgage you have left to pay
- find out how much mortgage interest you pay
- find out how much DWP pays towards your mortgage interest and home improvement loans as SMI benefit.

This information will help you decide how to carry on paying your mortgage interest and home improvement loans from 6 April 2018.

## How to get information about your current mortgage continued

Your annual statement from your mortgage lender tells you how much mortgage interest you pay. Your annual statement from DWP tells you how much SMI benefit is being paid.

## Examples of ways you can pay your mortgage interest

Once you know the information about your current situation, you can start thinking about ways you can pay your mortgage interest. For example you could:

- **accept the offer of a SMI loan**

DWP is offering the SMI loan to everyone who is getting SMI as a benefit. If you accept the SMI loan, DWP will carry on paying regular payments towards your mortgage interest and some home improvement loans - but as a loan not a benefit. The loan payment amounts will be the same as you get now, so long as your circumstances stay the same. Any SMI payments made after 6 April 2018 will need to be paid back. You don't need to pay back the SMI loan until you sell your property or transfer ownership.

Interest will be charged on your SMI loan. DWP may also place a second charge on your property. More information about the SMI loan is on pages 5 -7.

- **contact your mortgage lender**

Mortgage lenders know that SMI benefit is ending on 5 April 2018. Your mortgage lender may be able to suggest other ways to manage your mortgage payments for example changing your mortgage interest rate.

- **use savings and investments**

If you have savings and investments, you may be able to use these to pay your mortgage interest or reduce the overall amount you owe your mortgage lender. You may want to seek financial advice before doing this. If you choose to do this, tell the office that pays your benefit as using your savings may change the amount you get.

## Examples of ways you can pay your mortgage interest continued

- **ask family, friends or people in your household to help**  
If someone you live with, a family member or friend has their own income, you may want to ask them to help. If you choose to do this, tell the office that pays your benefit as using your savings may change the amount you get.
- **speak to a Credit Union or bank/building society**  
A Credit Union, bank or building society may be able to offer loans as well as savings and bank accounts. You'll need to check what interest rates they charge.
- **move to a different property**  
The size of your home and where it's located can make a difference to how much it is worth. Moving home may change the amount of mortgage you need – you may be able to have a smaller mortgage, or you may not need a mortgage at all.

These are just some of the options you may have. There may be more options for you to think about.

## Where you can get help and support

You need to decide if an SMI loan is the best option for you and your household. You may want to seek help and support from family and friends.

You can also get free and impartial money advice over the telephone and online.

You can visit Money Advice Service's website **[www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)** or you can call **0300 500 5000** for more information.

## Where you can get help and support continued

Other organisations who can give you housing advice include:

- Citizens Advice – [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk) for England and Wales, or [www.cas.org.uk](http://www.cas.org.uk) for Scotland
- Shelter – [www.shelter.org.uk](http://www.shelter.org.uk) in Scotland and England, or [www.sheltercymru.org.uk](http://www.sheltercymru.org.uk) in Wales

We can't help you decide what is best for you and your household.

## Information about the SMI loan

DWP will offer you an SMI loan and you need to decide if it's the right option for you. It is different to a normal loan because you don't get a lump sum. Instead, regular payments will be made towards the interest on your mortgage and some home improvement loans. You will need to pay these back. The total amount you owe will go up with every payment that is made.

So if DWP make 12 payments of £50, you would owe £600 (plus interest).

### Key things to know about the SMI loan

- there are no fees to set up the loan
- there will be no credit check
- interest will be added to the total amount you owe DWP until it is paid back or written off
- DWP won't make a profit from SMI loans. The interest you are being charged will be at a similar rate to what the government pays
- Serco will tell you the current interest rate when they call you
- the interest rate charged on the SMI loan will change no more than twice a year each January and July. It can go up or down
- it is a secured loan. If you accept the SMI loan, DWP may place a second charge on your property. This means that when you sell your property or ownership is transferred, you must pay back DWP from any remaining equity once your mortgage is repaid

## Information about the SMI loan continued

- you'll get a statement every year telling you how much SMI loan you have borrowed, and how much interest has been added
- you can ask to stop getting SMI loan payments at any time
- if your income-based benefit changes or ends, your SMI loan payments may stop.

## How the SMI loan is repaid

You will never need to make monthly repayments to pay back the SMI loan unless you want to.

Whatever happens in the future, you won't need to repay the SMI loan until you sell your property or transfer ownership.

### **There are two ways you can repay the SMI loan. You can either**

- make repayments at any time. The minimum amount you can pay is £100 or the outstanding balance, whichever is less. This is completely voluntary and only if you're able to, or
- pay it back from the equity when you sell your property or transfer ownership.

Equity is the money left after you pay back everything secured against your property including your mortgage.

If there isn't enough money left to repay the loan in full, don't worry. DWP will write off the remaining amount and consider the loan fully repaid.

## How the SMI loan is repaid continued

There are two examples below. They show how the equity you have left affects how much you pay back:

**Example 1** – You **do** have enough equity to pay back your SMI loan and interest in full.

You sell your property for	£95,000
Outstanding mortgage amount (including any other secured loans) to pay back is	£35,000
Amount remaining	£60,000
SMI loan amount and interest which DWP recovers is	£4,500
Equity remaining	£55,500

**Example 2** – You **don't** have enough equity to pay back your SMI loan and interest in full.

You sell your property for	£80,000
Outstanding mortgage amount (including any other secured loans) to pay back is	£71,000
Amount remaining	£9,000
SMI loan amount and interest is	£9,600
DWP recovers	£9,000
DWP write off	£600

The content of the examples in this booklet is for illustrative purposes only.

## Below are 2 checklists to help you.

### Things to think about before Serco call you

1. make note of any questions you have. You can ask them during your call with Serco.
2. you can book a time that suits you on **0800 046 8333**.
3. do you need someone to help you with the call? You can book a time that suits you both on **0800 046 8333**.
4. do you have a husband, wife, partner or civil partner living with you? You can talk to Serco together. You can book a time that suits you both on **0800 046 8333**.

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### Things to do before you make your decision

1. find out how much mortgage and mortgage Interest you have left to pay, as well as how much DWP pays as SMI benefit.
2. think about the ways you can pay your mortgage interest.
3. get help and support from family, friends or an independent organisation, if needed.

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