**SMI Loan**

**Summary**

1.1 Support for Mortgage Interest (SMI) currently supports homeowners receiving certain income related benefits including:

* Employment and Support allowance (income related)
* Jobseeker’s Allowance (income based)
* Income Support
* Pension Credit
* Universal Credit.

1.2 SMI provides help towards interest payments for mortgages and loans taken out for certain repairs and improvements to their home. SMI is paid as part of the claimant’s benefit, and is normally paid direct to the claimant’s lender. At present these payments are not paid back to DWP.

1.3 Support for Mortgage Interest (SMI) is changing from a benefit component to a repayable loan secured by a registered charge on the claimant’s property. The SMI loan will be repayable when the property is sold or ownership transferred, or sooner if the claimant is able and chooses to make voluntary repayments before that. Voluntary repayments below £100 are not accepted, except where the outstanding balance is less than &100.

1.4 Existing and new claimants will have to decide if they want to accept the offer of an SMI loan when SMI benefit ceases. Payments of SMI loan will normally be paid to the lender but in some circumstances direct to the claimant.

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**Eligibility criteria**

2.1 The eligibility criteria will be the same for an SMI Loan as it is currently for SMI benefit. Refer to your existing specific benefit instructions for information on SMI eligibility criteria.

**Note**: The two year restriction on JSA claimants receiving SMI will be removed when SMI Loan goes live on 6 April 2018.

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**Who will initially be impacted by this?**

3.1 From July 2017 claimants currently claiming SMI Benefit will be offered SMI Loans. Claimants who accept will receive a SMI Loan from 6 April 2018. SMI Benefit component will cease on 5 April 2018 regardless of whether a SMI Loan is accepted. From 6 April 2018 new claimants will be offered SMI Loan only.

3.2 This change affects:

* existing SMI claimants - referred to as **bulk** claimants
* **transitional** claimants - who become entitled to SMI between July 2017 and April 2018. Claimants who apply before 6 April 2018 but who will receive little or no SMI Benefit component payment due to the waiting period (working age claimants) or advanced claims (pension age claimants)
* **new** claimants - who become entitled to SMI from 6 April 2018.

3.3 For information about when this will affect claimants currently receiving individual benefits, see [Key Dates](https://urldefense.proofpoint.com/v2/url?u=https-3A__intranet.dwp.gov.uk_manual_support-2Dmortgage-2Dinterest-2Dloan-2Dinstructions_key-2Ddates-2Dsmi-2Dloan&d=DwMGaQ&c=jATVAuOtMRDNYd0URhYjjQ&r=ajOTqAT31nGhNJff5rTAbFyu97k7x0rAMI95Sx10L7o&m=FDuPtB8EHe60JRaCOuip5p51Y7yWowuGQf2zCkFw1GM&s=ew16Bj5Rjf2zwBFOmZElBxvZwaRNUJV4gtZIThHYyZU&e=).

3.4 These instructions will cover the process for Bulk and transitional customers who have accepted an SMI loan, to move their SMI benefit to an SMI Loan. This is managed by a system called the **Support for Mortgage Interest Tracking System**, or **SMITS**.

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**Who will administer SMI loan?**

4.1 DWP will remain responsible for determining:

* eligibility for loans
* calculating the loans, and
* making payments directly to lenders or claimants.

4.2 DWP will have responsibility to arrange the process by which claimants move from a benefit to a loan, and to stop benefit on 5 April 2018 regardless of whether the claimant decides they want to accept the offer of a loan or not. We will need to make sure that all existing claimants receiving the SMI benefit component are given the opportunity to move onto the new loan system commencing from 6 April 2018. This includes claimants who are not currently in receipt of SMI but will be before April 2018.

4.3 There will be third party providers, including:

* Williams Lea - a letter provider who will issue an initial letter and booklet informing claimants of the change to a loan and that they will receive an informed discussion
* Serco - an information provider who will provide claimants with facts about the loan and hold an informed discussion about a number of options in place of SMI benefit, including the option of a Support for Mortgage Interest loan. They also issue loan documentation. Serco do not provide advice or guidance and
* **DWP Debt Management** who for SMI purposes are referred to as **Loan Management** (LM) – they will create a loan account and place a charge on the property with the relevant body. They will have responsibility for maintaining the loan balance, adding interest, issuing annual statements and recovering the loan. see process maps [1](https://urldefense.proofpoint.com/v2/url?u=https-3A__intranet.dwp.gov.uk_manual_support-2Dmortgage-2Dinterest-2Dloan-2Dinstructions_process-2Dmap-2D1-2Dsmi-2Dloan-2Dbulk-2Dcases-2Dinformation-2Dprovider&d=DwMGaQ&c=jATVAuOtMRDNYd0URhYjjQ&r=ajOTqAT31nGhNJff5rTAbFyu97k7x0rAMI95Sx10L7o&m=FDuPtB8EHe60JRaCOuip5p51Y7yWowuGQf2zCkFw1GM&s=6h0gpbE1xTEJWoH04_aWGoj_Xsy30nToakJiM4nzZqk&e=) and [2](https://urldefense.proofpoint.com/v2/url?u=https-3A__intranet.dwp.gov.uk_manual_support-2Dmortgage-2Dinterest-2Dloan-2Dinstructions_process-2Dmap-2D2-2Dsmi-2Dloan-2Dbulk-2Dcases-2Dloan-2Dmanagement&d=DwMGaQ&c=jATVAuOtMRDNYd0URhYjjQ&r=ajOTqAT31nGhNJff5rTAbFyu97k7x0rAMI95Sx10L7o&m=FDuPtB8EHe60JRaCOuip5p51Y7yWowuGQf2zCkFw1GM&s=HtNj87nZ2pUUsgqoVyTTMpudz8uRF5sw8xuda1C_QrE&e=).

**Note**: **Land Registry (England & Wales)** or **Registers of Scotland (Scotland)** will register a charge on affected properties at Loan Management request. See process map [12](https://urldefense.proofpoint.com/v2/url?u=https-3A__intranet.dwp.gov.uk_manual_support-2Dmortgage-2Dinterest-2Dloan-2Dinstructions_process-2Dmap-2D5-2Dregistering-2Dcharge&d=DwMGaQ&c=jATVAuOtMRDNYd0URhYjjQ&r=ajOTqAT31nGhNJff5rTAbFyu97k7x0rAMI95Sx10L7o&m=FDuPtB8EHe60JRaCOuip5p51Y7yWowuGQf2zCkFw1GM&s=Cqfs84anp1nTm4JzO7-Q6zNXUNvXtumDS2Gat7zfO5c&e=).

4.4 SMITS receives, stores and makes available claimant information between DWP and the third party providers. It will update claimant data with the outcome from the informed discussion and track the progress of the claimant’s decision. SMITS provides an interim solution until April 2018 only. A new system will be developed by Digital for handling SMI loan claims from 6 April 2018 onwards.

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**What will happen?**

5.1 Claimants who currently get SMI as a benefit will receive a letter and booklet and will be contacted by phone by Serco to explain the SMI changes. Claimants and their partners will need to be available to take a phone call or alternatively they will be able to book a specific time slot with Serco directly.

5.2 If the claimant accepts the offer of an SMI loan they can do so during the phone call or by contacting DWP after the phone call. The warm up letter and booklet include all relevant contact details.

5.3 Serco will send the claimant:

* two copies of the SMI loan agreement – one copy which they sign and return to DWP, and one which they keep for their records
* a charge form – which they must sign in front of a witness.

5.4 Both signed forms will need to be sent to DWP in the reply envelope provided to accept the offer of the SMI loan. A Charge form is not required where the claimant and partner (where there is one) are not on the mortgage.

5.5 When the SMI loan is processed the claimant will get a letter confirming that the benefit is ending and the loan payments are starting.

5.6 If the loan is declined by the customer they will be sent a letter telling them SMI payments will cease.

see process map [24](https://urldefense.proofpoint.com/v2/url?u=https-3A__intranet.dwp.gov.uk_manual_support-2Dmortgage-2Dinterest-2Dloan-2Dinstructions_process-2Dmap-2D24-2Dsmi-2Dloan-2Doverview&d=DwMGaQ&c=jATVAuOtMRDNYd0URhYjjQ&r=ajOTqAT31nGhNJff5rTAbFyu97k7x0rAMI95Sx10L7o&m=FDuPtB8EHe60JRaCOuip5p51Y7yWowuGQf2zCkFw1GM&s=uTX_1bu4cQwpM-7espSuYU7bf-JqAT3lc-t-FxFR6aE&e=)

**Note:** The property charge is applied from April 2018. Instructions detailing the process to follow will be updated in due course.

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**SMI partner in the household**

11.3 Partners also need to undertake the discussion with Serco and sign the appropriate forms. Sections 6.1 to 10.1 above also apply where there is a partner in the household. Refer to the following "**who must sign"** table for details of the different situations. See appendix [13](https://urldefense.proofpoint.com/v2/url?u=https-3A__intranet.dwp.gov.uk_manual_support-2Dmortgage-2Dinterest-2Dloan-2Dinstructions_process-2Dmap-2D13-2Dpartner-2Dprocess&d=DwMGaQ&c=jATVAuOtMRDNYd0URhYjjQ&r=ajOTqAT31nGhNJff5rTAbFyu97k7x0rAMI95Sx10L7o&m=FDuPtB8EHe60JRaCOuip5p51Y7yWowuGQf2zCkFw1GM&s=MwgJeL3Oh1r8qW9hiArVAybbEFxvbE8BU2n4Cghateo&e=).

11.4 If appropriate, DWP includes a partner indicator on the claimant's details sent to Serco. If Serco identify that the partner indicator is wrong, they will terminate the call and refer the case back to DWP.

**Who must sign**

See the table below for information on who signs.

See process map [9](https://urldefense.proofpoint.com/v2/url?u=https-3A__intranet.dwp.gov.uk_manual_support-2Dmortgage-2Dinterest-2Dloan-2Dinstructions_process-2Dmap-2D9-2Dsmi-2Dloan-2Djoint-2Dmortgage&d=DwMGaQ&c=jATVAuOtMRDNYd0URhYjjQ&r=ajOTqAT31nGhNJff5rTAbFyu97k7x0rAMI95Sx10L7o&m=FDuPtB8EHe60JRaCOuip5p51Y7yWowuGQf2zCkFw1GM&s=aM38eFRvBYLZmSwGFVLq9JDfw30PQkT2xkKCdQMTz0Q&e=)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Circumstances | Loan Agreement | Charge form | | | | |
| Part A | Part B | Part C | Part D (occupier’s declaration) | Part E (RX1 form) |
| Single claimant on mortgage (sole legal owner) | Claimant | Claimant |  |  |  |  |
| Single claimant not on mortgage (no legal owner) | Claimant |  |  |  | No one signs as we are not obtaining a charge here |  |
| Claimant and partner on mortgage (joint legal owners\_ | Claimant and partner | Claimant and partner |  |  |  |  |
| Claimant and partner not on mortgage (no legal owner) | Claimant and partner |  |  |  | No one signs as we are not obtaining a charge here |  |
| Claimant on mortgage (sole legal owner), partner not (but living at property) | Claimant and partner | Claimant |  |  | Partner |  |
| Partner on mortgage (sole legal owner), claimant not (but living at property) | Claimant and partner | Partner | Doesn’t need to be signed – part B only applies where claimant owns property with someone else. | Doesn’t need to be signed-part C only applies where claimant’s partner owns property with someone else, not the claimant. | Claimant | Only needs to be signed where Part B or C signed, i.e. where additional legal owners to the claimant and/or partner. |
| Single claimant and other on mortgage (joint legal owner with non-partner, no partner living at property) | Claimant |  | Claimant |  |  | Claimant |
| Claimant and other on mortgage, partner not (joint legal owner with non-partner, but partner living at property) | Claimant and partner (C and P must sign even if not both legal owners) |  | Claimant  This applies as claimant owns property with someone else. | Doesn’t need to be signed – Part C only applies if claimant’s partner owns the property with a person who is not the claimant. | Partner | Claimant |
| Partner and other on mortgage, claimant not (partner joint legal owner with non-claimant, but claimant living at property) | Claimant and partner |  | Doesn’t need to be signed – Part B only applies where claimant owns property with someone else | Partner | Claimant | Partner |