

Income Support to Meet Mortgage Interest Payments, the Cost of Large Repairs or Adaptations (*ref 18*)

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What is Income Support?

Income Support is an income-related benefit which is intended to help people who do not have enough money to live on and who have savings of not more than £16,000. If you are 60 or over different rules apply. See our *Quick Brief on Pension Credit (ref 39)* -

www.housingoptions.org.uk/general_information/gi_quickbriefs/qb_39.pdf

The amount of Income Support you get depends on your age, whether you have a partner or children, how much money you have coming in each week, any savings you have in excess of £6,000 and the payments you need to make to stay in your home.

Income Support is intended to pay for day to day living expenses like meals, household bills and travel. It is made up of a basic sum plus various premiums, mostly related to the individual's level of disability.

Help with Mortgage Interest Payments

If you have a mortgage or loan which was taken out to buy your home or to carry out necessary repairs or improvements, Income Support can, in some circumstances, help you with the interest payments.

This additional payment of interest on a mortgage is referred to as Income Support Mortgage Interest (ISMI). This is over and above any Income Support for daily living expenses.

Income Support will not cover the capital repayments, endowment premiums or buildings insurance connected with the mortgage - it will only cover the interest.

Interest can only be allowed on 'qualifying' loans.

'Qualifying' loans are those which have been taken out for the following reasons:

- to purchase an interest in the home - this usually means buying a home, but also includes loans taken out to buy someone else's interest in the home. You do not have to own the home outright. Interest can be paid on a shared ownership property.
- to pay for repairs and improvements which are needed to maintain the fitness of the home for human habitation

- to pay for certain service charges for repairs and improvements which are needed to maintain the fitness of the home for human habitation
- to repay a loan which had originally been taken out to purchase an interest in the home or to pay for qualifying repairs or improvements

Loans for Repairs and Improvements

Interest can be allowed on loans which have been obtained for repairs and improvements which are needed to maintain the fitness of the home for human habitation. To qualify, the loan must have been obtained to pay for one or more of the following:

- provision of a fixed bath, shower, wash basin, sink or lavatory, and associated plumbing, including the provision of hot water not connected to a central heating system
- repairs to existing heating systems
- damp-proofing
- provision of ventilation and natural lighting
- provision of drainage facilities
- provision of facilities for preparing and cooking food (but not for storing it)
- provision of insulation
- provision of electric lighting and sockets
- provision of storage facilities for fuel and refuse
- the repair of unsafe structural defects
- the adaptation of the home for the special needs of a disabled person
- provision of separate sleeping accommodation for children of different sexes aged 10 or over who are members of the claimant's family

Restrictions in Size of Loan

After working out which loans to take into account, the DWP will then decide whether or not it should restrict the size of the loan met by Income Support.

There are three main reasons for restricting what would otherwise be a 'qualifying' loan -

- Your 'Qualifying' Loans Add up to £100,000+
- Your Housing Costs are Considered 'Excessive'
- Your Home Includes Business Premises

Your 'Qualifying' Loans Add up to £100,000+

The DWP has placed an upper limit on the size of mortgage/home loan that can be taken into account when working out a person's housing costs.

If the 'qualifying' loans (not including any loans used to adapt the home to meet the needs of a disabled person) add up to more than £100,000 housing costs will be assessed as if only £100,000 had been borrowed. There are some exceptions but these are rare (e.g. you were receiving help from before April 1994).

In the event of a restriction being applied, the housing costs will be divided between the lenders according to the amount borrowed from each lender.

Your Housing Costs are Considered 'Excessive'

The DWP may restrict your housing costs if it considers your home to be too large for your needs, or if it decides that you are living in an unnecessarily expensive area. If you need someone with you all the time, then you may have grounds for a larger house. If you need to live in a particular area because of your disability or you are supported this should also be considered.

If the DWP decides to restrict your housing costs on the grounds that they are 'excessive', the restriction will not be applied for the first 6 months of your claim if you can show that you could afford the payments when you took out the loan. (An extra 6 months will be allowed if you can show that you are trying to sell your home).

Your Home Includes Business Premises

If your home includes premises which have been rated as a business, the DWP will use the rateable values to work out the proportion of the loan which relates to the home.

Standard Interest Rate

The DWP uses a 'Standard Interest Rate' to work out claimants' mortgage interest payments.

Unless your mortgage interest rate is particularly low (below 5%), the DWP will work out your housing costs using its Standard Interest Rate.

The DWP Standard Rate is based on the interest rates charged by the twenty largest building societies but, because it is an average, it is likely to be different from the interest rate that you are being charged by your lender. The Standard Interest Rate is the Bank of England base rate + 1.58%. Over the last few years the rate has varied between 6 - 8%. It is currently 6.08%.

A New Mortgage

Most people seeking help with interest payments on a mortgage because for example they have become unemployed must now wait 39 weeks before they get any payments from the DWP, unless you or your partner are 60 or over. Usually it is not now possible for someone to take out a new mortgage whilst claiming Income Support.

The rules that apply to disabled people are however slightly different in some important ways. They mean:

1. Income Support is available to meet the repayments on a mortgage taken out to purchase a property more suitable to the needs of a disabled person.
2. Income Support is available to meet any increase in mortgage repayments where a further loan has been taken out to purchase a property more suitable to the needs of a disabled person.

More details of this can be found in the *Decision Maker's Guide* which is the rulebook which Department of Work and Pensions decision makers use. You can find this at www.dwp.gov.uk, go to 'Advisers and Professionals' on the top banner, then click on 'Specialist Guides and Manuals'. This gets you to the guide, where you look at Volume 4, 23400 onwards.

You should note:

- the regulations say **shall** and **not** may - there is a difference
- you must be able to satisfy the test of 'needing alternative accommodation more suited to the special needs of a disabled person'. Sometimes this is clear cut - for example a home is closing and new accommodation must be found, or someone has become homeless. More commonly it is formal recognition in a care assessment carried out by the local authority that different housing is needed that will satisfy this test.
- although you can increase a loan to undertake certain repairs, a better and easier route for many disabled people is likely to be either a Disabled Facilities Grant or Home Repair Assistance as both are available for a range of work as grants rather than a loan for people on income related benefits - These grants are administered by your local housing authority
- the rules about housing not being too large or excessively expensive apply to disabled people
- you must have been in receipt of income support for a continuous period of 39 weeks or more before you can get interest on a mortgage met

You can read these regulations at Office of Public Sector Information website -

www.opsi.gov.uk/si/si1987/UKsi_19871967_en_1.htm

You can also read the guidance that decision makers have in the Department of Work and Pensions by going to www.dwp.gov.uk, then going to 'Advisors and Professionals'. The relevant part of the *Decision Makers' Guide* is volume 4, chapter 23.

Increases in Housing Costs

If you borrow extra money whilst getting Income Support (or while you are between claims), the DWP may restrict your housing costs to what was being paid during the week before the increase.

A restriction will be considered if you have increased your housing costs and the increase took place during a period when:

- you were entitled to Income Support; **or**
- you were living as part of the family of someone who is entitled to Income Support; **or**
- you were not entitled to Income Support but subsequently claimed Income Support within 26 weeks of a previous claim ending

Increases Which are Allowed

Increased housing costs will be allowed if the loan has been taken out for the following reasons:

- to adapt the home for the special needs of a disabled person
- to provide separate sleeping accommodation for children of different sexes aged 10 or over who are members of the claimant's family
- to pay for repairs and improvements which are needed to maintain the fitness of the home for human habitation
- to purchase alternative accommodation which is more suited to the special needs of a disabled person
- to purchase alternative accommodation which is necessary to provide separate sleeping accommodation for children of different sexes aged 10 or over who are members of the claimant's family

How Will Your Mortgage be Paid?

Under the *Mortgage Interest Direct Scheme*, the DWP will normally pay the mortgage interest direct to your building society, bank or other lender.

Only mortgages and secured loans are covered by the Scheme. It doesn't cover unsecured loans.

The DWP can only pay the mortgage interest direct if the lender has joined the Scheme. Most building societies, banks, Local Authorities and other lenders are now in the Scheme.

Taking Out a Mortgage When on Income Support

If your only form of income is via income support and you want to take out a mortgage, a lender would have to consider your application very carefully. A lender will usually only lend to a person who has regular employment and able to meet the monthly mortgage repayments. It would only be in exceptional circumstances that a lender would grant a mortgage in other circumstances.

You will need to speak to the DWP to see if they would repay a mortgage through income support. The lender would also need to be advised formally by the DWP whether the mortgage could be repaid in this way. In some cases, the DWP will only confirm that income support would be payable to meet the mortgage repayments once a mortgage has been granted to you by the lender. However, a lender will not usually agree a mortgage until the DWP has agreed to repay the mortgage. This situation can usually be resolved by the DWP and the lender discussing the matter between themselves to see if a solution can be reached.

It helps if someone is prepared to act as a guarantor for the mortgage.

Occasionally disabled people are able to repay a small mortgage using ordinary welfare benefits and not the special Income support provisions described above which gives Income Support **additional** to other benefits. Housing Options has a list of lenders prepared to provide mortgages serviced through benefits.

Related Factsheets

Adapting a Property (*ref 03*) -

www.housingoptions.org.uk/general_information/gi_factsheets/fs_03.pdf

Mortgages (*ref 08*) -

www.housingoptions.org.uk/general_information/gi_factsheets/fs_08.pdf

If you require further information or have other queries contact Housing Options.

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