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Homeowners

Help with housing costs



An agency within

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INVESTOR IN PEOPLE

Homeowners help with housing costs

This information sheet provides information on the help which may be available for owner-occupiers who have housing costs.

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See page 8 for how to claim.

This information sheet gives general guidance only and should not be treated as a complete statement of the law.

If you are unemployed or unable to work

If you are unemployed or unable to work, remember that:

- you are responsible for your housing costs and your home is at risk if you do not keep up repayments on your mortgage or any loan secured on your home; and
- your lender, your insurer and the Social Security Agency may be able to provide help or advice if you are unable to pay your housing costs.

What you should do

You should tell your lender as soon as your financial circumstances change or you get into difficulties with your mortgage payments.

- If you have made a temporary agreement with your lender to help you through a difficult period, you must keep to it. If you find you can no longer meet the arrangements, you must tell your lender immediately.
- If you have an insurance policy, you should contact your insurer immediately. Your insurer will expect you to provide evidence that you are unable to work.

You should check with your insurer what evidence they need. You should keep any letters you receive from the Social Security or Jobs & Benefits office as your insurer may need to see them.

- If you are unable to work, you should get advice from your Social Security or Jobs & Benefits office. You may be entitled to help with your housing costs from Income Support or income-based Jobseeker's Allowance. This information sheet explains what help may be available.

Most people who are entitled to Income Support or income-based Jobseeker's Allowance will not get help with housing costs for a period at the start of their Income Support or income-based Jobseeker's Allowance claim. We call this the *qualifying period*.

If you are not entitled to any Income Support or income-based Jobseeker's Allowance at the moment, for example, because you have savings of over £16,000 or income, you should still sign on or provide medical certification.

Tell the Social Security or Jobs & Benefits office immediately of any change in your circumstances which may affect your entitlement to benefit.

Help you could get

Help from your lender

Your lender needs to know as soon as you get into difficulty with your mortgage payments. They will be able to:

- give you advice if you have problems making payments; **and**
- explain what arrangements can be considered to help you deal with short-term difficulties.

Help from your insurer

Your insurer will consider your claim on an insurance policy if you become unemployed or sick. You must make this claim immediately.

They can help you with any questions you may have about the terms and conditions of your insurance policy.

Your insurer will need proof that you are unemployed or sick. To do this if you are unemployed, you must continue to sign on and provide your insurer with any evidence they need that you are actively looking for work. If you are sick, you should get medical certificates and your insurer may ask you to take part in an independent medical examination. You must provide the evidence needed even if you are not entitled to any benefit. If you do not, your insurer may not be able to meet your claim.

Help from the Social Security Agency

The Social Security Agency may be able to provide some help with housing costs if you are entitled to Income Support or income-based Jobseeker's Allowance. For most people under 60, there is a qualifying period before help with housing costs can be given.

You will receive help towards housing costs from the first day that you become entitled to Income Support or income-based Jobseeker's Allowance if:

- you live in a tent; or
- you, or your partner, are aged 60 or over.

We use *partner* to mean:

- a person you are married to or a person you live with as if you are married to them; or
- a civil partner or a person you live with as if you are civil partners.

If you are unhappy with the service you receive

If you are unhappy with the service you receive from your lender, insurer or the Social Security Agency, you can get more help. There are details of who to contact at the end of this information sheet.

The rest of the information sheet covers the help given by the Social Security Agency.

See page 8 for how to claim.

Help from the Social Security Agency

Income Support or income-based Jobseeker's Allowance may be able to help with some of your housing costs. Those housing costs which Income Support or income-based Jobseeker's Allowance can help with are called *eligible* or allowable housing costs. Those housing costs which Income Support or income-based Jobseeker's Allowance cannot help with are called ineligible. The following housing costs are eligible for help.

- Mortgage interest payments
- Interest payments under a hire purchase agreement to buy your property as a home
- Payments of ground rent relating to a long tenancy
- Service charges
- Payments of rent charge within the meaning of the Rent Charges Act. Rent charges are rents that are paid by some freeholders under the conditions by which they own their freehold.

Repairs and improvements

Income Support or income-based Jobseeker's Allowance can help with interest on loans for repairs to your home, so it continues to be available for people to live in, including interest on a loan for any service charge set for such costs. Help may only be available if the loan was taken out for **one** of the following reasons and was

necessary to make your home fit for people to live in.

- Providing a fixed bath, shower, wash basin, sink or lavatory, and necessary associated plumbing, including providing hot water not connected to a central-heating system.
- Repairing existing heating systems.
- Damp-proof measures.
- Providing ventilation and natural lighting.
- Providing drainage facilities.
- Providing facilities for preparing and cooking food.
- Providing insulation.
- Providing electric lighting and sockets.
- Providing storage facilities for fuel or refuge.
- Repairing unsafe structural defects.
- Adapting a dwelling for the special needs of a disabled person.
- Providing separate sleeping accommodation for children of different sexes aged 10 or over who are part of the same family as the customer.

Other charges

Income Support or income-based Jobseeker's Allowance can also help with certain other housing costs. The qualifying period explained later in these notes does not apply to these other housing costs.

These other charges are the:

- payments under the co-ownership scheme; and
- housing costs of people who live in tents.

If you are not sure if your current housing costs are included in either of the lists, ask at your Social Security or Jobs & Benefits office. The staff cannot give guarantees about what future housing costs can be allowed, but they can give you general advice.

Why your housing costs may not be met in full

Income Support or income-based Jobseeker's Allowance may not meet your housing costs in full if:

- you have taken out a loan for a purpose other than buying a house or carrying out eligible repairs or improvements;
- your loan is greater than £100,000 (except if you have borrowed more to adapt your home for a disabled person who is living with you);
- your home is much bigger than you need or is in a very expensive area;
- you have taken out a loan while you are receiving Income Support or income-based Jobseeker's Allowance, although some people who were refused help may now be able to get it;
- you have gone from renting your home to buying it, and your housing costs have increased; or

- there are other people living in your house who we assume are paying some money towards your housing costs.

Income from an insurance policy

We ignore the following income from an insurance policy when we work out how much benefit you can get.

Any income that is used to:

- pay the premium that is due on the insurance policy itself;
- pay interest payments that Income Support or income-based Jobseeker's Allowance cannot meet during the qualifying period;
- repay capital or pay the premiums on an endowment policy or PEP;
- meet building insurance premiums; or
- cover other charges that cannot be met.

Any other income from an insurance policy is offset against your Income Support or income-based Jobseeker's Allowance.

Income from **all** insurance policies is treated in the same way. This applies even if the policy is linked to a loan that your benefit cannot help with.

When help could start

Existing borrowers

If your housing costs began before 2 October 1995, you are:

- not entitled to help with housing costs for the first 8 weeks of the claim;
- entitled to half of your allowable housing costs for the next 18 weeks of the claim; or
- entitled to all of your allowable housing costs after 26 weeks of your claim.

The previous rules on remortgaging your property say that in order to have your housing costs assessed as existing housing costs, and get help towards your allowable housing costs earlier, a remortgage had to be with:

- the same lender;
- for the same property; and
- for the same amount or less.

From December 2004 the rules on remortgaging the property changed. This will mean that:

- if the remortgage is for the same amount or less than the original pre-October 1995 loan; **and**
- you were named as one of the people who entered into the agreement for the original pre-October 1995 loan;

you may remortgage with a different lender and for any property.

This will allow you to change the names on the mortgage in the event of a marriage or divorce, or if creating or ending a civil partnership.

New borrowers

If your housing costs began after 1 October 1995 (other than a remortgage as above), you are:

- not entitled to help with housing costs for the first 39 weeks of the claim; but
- entitled to all your allowable housing costs from the 40th week of your claim.

Exceptions

If you are a new borrower, you will be treated as an existing borrower if:

- you are treated as a carer for the purposes of Income Support or income-based Jobseeker's Allowance;
- you are a prisoner on remand for Income Support purposes only;
- your insurance policy will not pay because the claim has been made as a result of an existing medical condition;
- your insurance claim has been refused because of a condition related to HIV or AIDS; or
- you have claimed due to the death of your partner or because you have separated from your partner, and have one or more children under 16.

See page 8 for how to claim.

How to claim

To get help with your housing costs you must first claim Income Support or income-based Jobseeker's Allowance. Ask your Social Security or Jobs & Benefits office for a claim form. The claim form explains what to do next.

We will ask for details of your housing costs on form **MI 12**, just before we can consider paying them. We will send you form **MI 12** at the following times, depending on your qualifying period.

- **Over 60** - with your claim form
- **Existing borrowers** - after four weeks
- **New borrowers** - after 36 weeks

When you receive form **MI 12**, fill in parts 1 to 6 and send it immediately to your building society, bank or other lender who provided your mortgage or loan.

Your lender will fill in the rest of form **MI 12** and return it to us. We will use the information provided by your lender to work out your Income Support or income-based Jobseeker's Allowance housing costs.

Remember, if you delay sending form **MI 12** to your lender your benefit may be affected.

How interest payments are worked out

In most cases your Income Support or income-based Jobseeker's Allowance eligible mortgage interest will be worked out using:

- the balance left of the eligible amount of your mortgage or loan, less any arrears; **and**
- the standard rate for mortgage interest.

The amount of eligible mortgage interest is worked out by multiplying the amount of your loan that we can allow by the standard rate. This amount is then divided by 52 to give a weekly figure.

Example

A person has a mortgage of £20,000 and the standard interest rate is 6.08%.

Annual interest
£20,000 x 6.08% £1,216.00

Weekly amount payable
£1,216.00 ÷ 52 **£23.38**

The standard rate is worked out by adding a fixed percentage to the Bank of England base rate.

From December 2004 this rate is fixed at 1.58%. This may be reviewed from time to time. Any changes in the Bank of England base rate will affect the standard rate. But this does not affect how offices work out your benefit entitlement.

How interest payments are worked out (continued)

From December 2004 the lender's own interest rate is no longer used to work out your housing costs. All payments are assessed using the standard rate.

If your housing costs are worked out using the standard rate, the letter sent to you will tell you that you do not need to report any changes in interest rates. You must still report other changes which may affect your housing costs, such as changes in non-dependants' circumstances, and any other changes which may affect your entitlement to Income Support or income-based Jobseeker's Allowance.

If you do not report such a change, your benefit may be affected.

The Mortgage Interest Direct Scheme

The Mortgage Interest Direct Scheme could mean that your housing costs are paid direct to your lender. Once a year, lenders are invited to take part in the scheme. Only lenders who take part can receive direct payments. Customers of lenders who do not take part in the scheme receive their mortgage interest along with the rest of their benefit.

Direct payments of mortgage interest are made to the lender every four weeks in arrears. This means that, in a full year, 13 payments are made instead of the usual 12 monthly payments. Your mortgage or loan should not go into arrears simply because of these different arrangements. We will tell you when these deductions from your benefit will begin. We will also tell your lender the amount that will be paid, the date from which it will be paid and confirm the number of the account that it will be paid into. If you are told that arrears are mounting up, contact your lender immediately.

Only mortgages secured on the property are covered by the scheme. For all other types of loan, you must continue with your own arrangements with the lender.

If you have other income which reduces your entitlement to benefit, we may not be able to pay all the mortgage interest that is due to the lender. In this case, contact your lender about the balance immediately.

If you are in arrears

Income Support or income-based Jobseeker's Allowance cannot help with the interest charged on any arrears.

If your account falls into arrears for any reason, contact your lender immediately to make arrangements for paying them.

If you are in difficulties with your mortgage repayments then, rather than risk losing your home, you must talk to your mortgage lender and explain your circumstances.

Your mortgage lender may be able to help. You may also find it helpful to get advice from a Law Centre or other advice centre.

You should note that your mortgage lender cannot repossess your home without your agreement unless they have got a court order. If you have received a possession summons, it is in your interests to go to the court hearing so that you can then give the court information about your income and liabilities. This will allow the court to decide whether or not to suspend the possession order because you are willing and able to repay the arrears over a reasonable period. The decision on what is a reasonable period is entirely a matter for the court.

Breaks in your claim

12-week linking period

If there is a break in your claim for Income Support or income-based Jobseeker's Allowance - for example, if you return to work for a short period - you have to make a new claim after the break. If the break is 12 weeks or less, the new claim is treated as a continuation of the previous claim.

If your qualifying period finished before the break, you will not have to serve another. If there is a break during your qualifying period, the period left to serve continues to decrease throughout the break.

26-week linking period

Any part of the qualifying period served on your previous claim can be counted towards the waiting period on your new claim in certain circumstances. This applies if you reclaim within 26 weeks and cannot get any more help from your Mortgage Payment Protection policy because it has already paid out your full entitlement.

104-week linking period for Welfare to Work

If you or your partner benefit from the Welfare to Work scheme and there is a break in your claim because you move into work, you will not have to serve another qualifying period if you reclaim within 104 weeks.

Moving off benefits into work

From 9 April 2001, benefit linking arrangements have been extended from 12 weeks to 52 weeks for homeowners taking up full-time work (16 hours a week or more for you, or up to 24 hours a week or more for your partner).

You may be eligible for 52-week linking if you or your partner:

- were getting help with your mortgage or home loan when you or your partner left benefit to move into full-time work, approved training or New Deal; or
- claim again within 52 weeks of starting full-time work, approved training or New Deal paid work options.

This would mean that if your work does not last, you would not need to re-serve the qualifying period before receiving help with your housing costs. You can get more information from your Social Security or Jobs & Benefits office.

Mortgage interest run-on

From 9 April 2001, you can carry on getting help with your mortgage or home loan for an extra four weeks if Income Support or income-based Jobseeker's Allowance stops because of full-time work (16 hours a week for you, 24 hours a week for your partner). There is no need to claim this benefit.

You may be eligible to receive the mortgage interest run-on if you or your partner have:

- started full-time work;
- increased hours of current work to 16 (you) or 24 hours (your partner);
- been getting Income Support or income-based Jobseeker's Allowance for at least 26 weeks or more continuously;
- been getting help with your mortgage or home loan and still have to make these payments when you start work;
- started full-time work that you expect to last for 5 weeks or more.

If you have answered 'Yes' to all, you may be eligible for the mortgage interest run-on.

However, if you or your partner apply for Pension Credit, any period of mortgage interest run-on will end as soon as you or your partner have Pension Credit entitlement.

For more information, please contact your Social Security or Jobs & Benefits office.



If you are not entitled to benefit

When you claim Income Support or income-based Jobseeker's Allowance, if you are an existing borrower you may find that you are not entitled to benefit because no help with housing costs is available during the first eight weeks of your claim. After that, you may become entitled because half of your housing costs are included in your benefit calculation. If this happens, there will be no need to make another claim.

If you are not entitled to benefit until all your housing costs are included, the letter sent to you will tell you to make another claim and when to make it. **We will not remind you to reclaim.**

- If you are not sure about when you should reclaim, you should check with your Social Security or Jobs & Benefits office. If you still receive Income Support or income-based Jobseeker's Allowance, you will automatically be awarded housing costs at the appropriate time.
- If you are not entitled to any Income Support or income-based Jobseeker's Allowance at present, for example, because of your capital or income, you should still sign on or provide medical certification for contribution-based Jobseeker's Allowance, Statutory Sick Pay or Incapacity Benefit.

You should still sign on or provide medical certification even if you do not receive any benefit. This is because you may be able to claim Income Support in the future and continuous evidence of this kind could reduce the qualifying period.

Information sheet IS8.

Effective from April 2008. Replaces April 2007 version.

Useful contacts

If you have any questions, you should contact:

- about benefit - your Social Security or Jobs & Benefits office;
- about insurance payments - your insurer; and
- about mortgage payments - your lender.

If you are not happy with the treatment you receive, contact:

- for complaints about the Social Security or Jobs & Benefits office - the Unit Manager at your Social Security or Jobs & Benefits office; and
- for complaints about your insurer or lender - Financial Ombudsman Service
South Quay
183 Marsh Wall
London
E14 9SR
(www.financial-ombudsman.org.uk)

More information and advice on mortgages is available on the Financial Services Authority website www.fsa.gov.uk

Further information and advice

If you or your partner are over 60, see the Pension Credit leaflet. A guide to Income Support IS20 is now available on the internet - go to:
http://www.dsdni.gov.uk/index/ssa/ssa_leaflets.htm

For information about your Housing Benefit, please see leaflet RR2 - *A Guide to Housing Benefit*.

For information on other Social Security Benefits, visit the Department's website at www.dsdni.gov.uk