

**Strategy, Information and Pensions**

**Equality Impact Assessment**

**Support for Mortgage Interest Changes – Equality Impact Assessment**

# Support for Mortgage Interest Changes – Equality Impact Assessment

## 1. Introduction

1.1. Support for Mortgage Interest (SMI) contributes to achieving DWP's objectives to provide security for those who cannot work; and to reduce child poverty. It also supports the wider Government objectives to sustain and increase home ownership, ensure financial independence and prevent homelessness.

1.2. The economic outlook is uncertain and household repossessions are forecast to rise. The changes being introduced by these regulations are intended to enable SMI to better meet DWP's objectives by providing more wide reaching support to home owners who are out of work and to help prevent the forecast rise in repossessions.

1.3. These changes are being introduced on a temporary basis and will be reviewed when housing market conditions are more favourable.

## 2. Purpose

2.1. The Social Security (Housing Costs Special Arrangements) (Amendment and Modification) Regulations 2008 amend and modify the Employment and Support Allowance Regulations, the Income Support Regulations and the Jobseeker's Allowance Regulations.

2.2. They allow for changes to the rules on paying housing costs, including mortgage interest within these benefits. The effect will be to reduce the waiting period before mortgage interest can be paid to 13 weeks, increase the capital limit up to which mortgage interest can be paid to £200,000 and, for Jobseeker's Allowance only, to introduce a two year limit on payment of mortgage interest. The instrument also modifies the State Pension Credit Regulations so that in some cases the increased capital limit can apply to pensioners.

## 3. Equality duties

3.1. This impact assessment has been undertaken in order to assess the proposed changes against the disability, race and gender equality duties, and under the Disability Discrimination Act 2005, the Race Relations Amendment Act 2000 and the Sex Discrimination Act 1975, as amended by the Equality Act 2006.

## 4. Background to the change

4.1. Changes to the Support for Mortgage Interest (SMI) rules were announced as part of a package of measures to support vulnerable home owners and the housing industry. From 5 January 2009 the reforms:

- shorten the waiting period in Income Support (IS), Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) before full SMI is paid, from 39 or 26 weeks to 13 weeks for new working age claimants, and some repeat and existing claimants;
- increase the capital limit for new, and some repeat and existing, working age claims from £100,000 to £200,000;
- for new working age claims, and some repeat and existing JSA claims, introduce a two year (104 week) time limit on SMI.

In addition to these three key elements of the reform, the amendments listed below have been incorporated – these offer protection to some existing customers to help smooth potential cliff edge effects of the main changes. Reducing the waiting period before SMI can be paid from 39 to 13 weeks for those making new claims to qualifying benefits from January creates a cliff edge effect for those currently locked in to a waiting period or for those who have yet to make a claim before January. To ensure this group are not disadvantaged:

- those people in the system who have served 13 weeks or more of their waiting period by 5 January will receive SMI from that date;
- those who have served a period of less than 13 weeks at 5 January will receive SMI on the date at which they have served a full 13 weeks.
- those in receipt of SMI over £100,000 will be able to keep the higher capital limit when they move onto State Pension Credit;
- the waiting period for new claims or non-linking repeat claims from groups who, in special circumstances, would currently receive SMI of 50% after 8 weeks will be aligned so that they receive full SMI after 13 weeks. Those already serving a waiting period will continue to receive 50% after 8 weeks under existing rules and then receive 100% under the new rules after 13 weeks or at the 5 January whichever is the later; and
- customers moving from Income Support and Employment Support Allowance onto Jobseeker's Allowance, including lone parents moving under the conditionality proposals, will retain their current entitlement if they move to JSA within 12 weeks of leaving IS or ESA.

4.2. These changes are being introduced on a temporary basis and will be reviewed when housing market conditions are more favourable.

4.3. A further linked change is to fix the standard interest rate (SIR) at 6.08%. This will be reviewed after six months and will apply to all customers, existing and new, who receive SMI.

## **5. Who will benefit from these changes?**

5.1. These measures are expected to help reduce the number of repossessions amongst those of working age with a mortgage and in receipt of the relevant benefit. As well as being of benefit to the individuals in question, these changes will also prevent potential additional costs to Government of this group receiving other state support such as a move to the social sector, being accepted as homeless and / or making a claim for housing benefit.

5.2. In addition these measures will also help alleviate the financial strain on those who might not have faced having their homes repossessed but who would otherwise have built up financial arrears.

5.3. Lenders will also benefit from these changes through earlier payment of mortgage support, and levels of payments which better reflect customers' mortgages through the fixing of the SIR and increasing the capital limit.

## **6. What information and / or data has been obtained to assess the impact of these proposals**

6.1. Analysis of the potential impact of the reforms to Support for Mortgage Interest has been carried out primarily using DWP quarterly administrative data and the Family Resources Survey, with supportive published statistics from the Council of Mortgage Lenders, Bank of England and the Office for National Statistics.

6.2. It should be noted that broad assumptions have been used to consider the impact for some groups and so the estimates are necessarily only indicative.

### **Background**

6.3. The economic outlook is uncertain and growth is predicted to be lower than in previous years. In the third quarter of 2008, Gross Domestic Product contracted by 0.5 per cent, compared to flat growth of 0.0 per cent in the previous quarter. The level of GDP is now only 0.3 per cent higher than the third quarter of 2007.

6.4. A continuing slowdown in economic growth could potentially mean higher unemployment if it spills over into the labour market and therefore a higher number of individuals requiring SMI. There is evidence of this beginning to happen in the latest published statistics.

6.5. The December 2008 Labour Market statistics<sup>1</sup> show that the number of unemployed people, the unemployment rate and the claimant count have all increased. The unemployment rate was 6 per cent for the three months to October 2008, up 0.4 over the previous quarter and up 0.7 over the year. The number of unemployed people increased by 137,000 over the quarter and by 236,000 over the year, to reach 1.86 million. The last time the number of unemployed people was higher was in the three months to December 1997 (when it was 1.87 million).

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<sup>1</sup> <http://www.statistics.gov.uk/pdfdir/lmsuk1208.pdf>

6.6. The number of people claiming unemployment-related benefit (the claimant count) was 1.07 million in November 2008, up 75,700 over the previous month and up 257,500 over the year. The last time the claimant count was higher was in July 2000.

6.7. The Council of Mortgage Lenders (CML) publishes quarterly data and analysis on mortgage arrears and repossessions<sup>2</sup>. The latest data, published in November 2008, showed that there were 11,300 repossessions in the third quarter of 2008, 12% higher than the 10,100 in the second quarter. The CML continues to expect the total number of repossessions this year to be around 45,000 up from 27,000 in 2007. The macroeconomic environment suggests that this level of repossessions could continue or rise further in 2009.

6.8. The number of households in arrears has also been increasing, as summarised in Tables 5.1 and 5.2 below. CML forecast that there will be 170,000 mortgages in arrears of more than 3 months by the end of the year.

**Table 5.1: Outstanding mortgages, repossessions and arrears (Annual)**

	2005	2006	2007
Outstanding mortgages	11,604,000	11,742,000	11,822,000
Repossessions (number)	14,600	22,400	27,100
Repossessions (% all loans)	0.13%	0.19%	0.22%
Arrears (3-6 months)	69,300	67,200	73,000
Arrears (6-12 months)	38,600	36,200	41,200
Arrears (12+ months)	15,000	16,100	15,600

**Table 5.2: Outstanding mortgages, repossessions and arrears (Qrtly)**

	2008 Q1	2008 Q2	2008 Q3
Outstanding mortgages	11,769,000	11,737,000	11,692,000
Repossessions (number)	8,800	10,100	11,300
Repossessions (% all loans)	0.07	0.09	0.10
Arrears (3-6 months)	80,600	87,700	93,700
Arrears (6-12 months)	45,000	49,600	54,100
Arrears (12+ months)	16,400	18,300	20,200

Source: CML Research (Table AP7A and AP7Q)

6.9. An improved SMI scheme should play a role in helping to reduce the forecast level of arrears and repossessions.

6.10. Turning to now consider generally the three key areas of the reform plus the decision to fix the standard interest rate for six months.

### **Reducing the waiting period**

6.11. This element of the reform is to reduce the waiting period for SMI from 39 or 26 weeks to 13 weeks for new, some repeat and some existing working age claimants. This new waiting period will also apply to new claims, or non-linking repeat claims, from vulnerable groups who would have received 50% SMI after 8 weeks but will now receive

<sup>2</sup> <http://www.cml.org.uk/cml/media/press/1999>

no help with housing costs for the first 13 weeks, after which they will receive full SMI, and existing claims where the customer is in a waiting period on 4th January.

6.12. Research by the Joseph Rowntree Foundation shows that around 45% of SMI customers developed arrears in the 39 week waiting period before SMI is paid out showing that the waiting period has a negative impact on customers' finances. Furthermore, some home-owners might have their houses repossessed during the waiting period, thereby never receiving SMI.

6.13. Information from the Council of Mortgage Lenders supports the issues around Mortgage Payment Protection Insurance (MPPI) and shows that take-up of MPPI has been lower than anticipated; in 2007 it was provided for only 18% of new advances.

**Table 5.3: MPPI policies sold or provided free**

<b>Period</b>	<b>% of all new advances</b>
2001	33
2002	35
2003	33
2004	27
2005	25
2006	22
2007	18

Source: CML Research, Association of British Insurers (PP12)

6.14. Together these arguments imply that there is a strong case for reducing the existing waiting period, currently 39 weeks for most customers, to about 3 months. This reduction in the waiting period should help to reduce the number of repossessions. It is however important to retain a waiting period in order to encourage both individual responsibility and lender forbearance.

### **Increasing the capital limit**

6.15. This element of the reform is to increase the capital limit on loans for which DWP can allow SMI from £100,000 to £200,000 for all new working age customers and some repeat and existing claimants.

6.16. The existing £100,000 limit has remained unchanged since 1995 when average house prices were significantly lower than they are today. In 1995 average house prices were around £70,000 but are now over £200,000.

**Table 5.4: Average House Prices, 1995 to 2007**

<b>Year</b>	<b>Average Price</b>
1995	65,644
1996	70,626
1997	76,103
1998	81,774

1999	92,521
2000	101,550
2001	112,835
2002	128,265
2003	155,627
2004	180,248
2005	190,760
2006	204,813
2007	221,580
2008 <sup>3</sup>	204,000

Source: CLG: [Table 502](#)

6.17. An outdated capital limit implies that fewer new home owners will be receiving adequate protection from SMI, and so will be more at risk of repossession action. Raising the capital limit will help to ensure that more interest for customers with eligible loans over £100,000 will be met by payment of SMI on and this will ease the number of repossessions.

6.18. Regional variations on the capital limit were also considered. Although these would be attractive in allowing SMI to reflect regional variations in housing costs, regional limits would add complexity to the benefit system and would not be achievable in the immediate term, while the housing market is under strain.

6.19. The choice of a capital limit of £200,000 for SMI is based on protection for customers with median priced property and a 95% loan to value ratio; and also recognising that property prices will be higher in London than the national average.

#### *Two year time-limit for JSA customers*

6.20. This element of the reform is to limit the period for which SMI can be payable to two years (104 weeks) for all new and some repeat and existing JSA customers.

**Table 5.5: Durations on JSA**

<b>Duration</b>	<b>% in receipt</b>
Up to 13 weeks	53%
over 13 and up to 26 weeks	21%
over 26 and up to 39 weeks	10%
over 39 and up to 52 weeks	5%
over 52 and up to 65 weeks	3%
over 65 and up to 78 weeks	2%
over 78 and up to 104 weeks	2%
over 104 weeks	3%

Source: ONS Crown Copyright Reserved [Nomis.16 December 2008]

<sup>3</sup> DWP estimate for 2008 based on data to November 2008

6.21. Whilst we do not have duration information for those in receipt of Support for Mortgage Interest, we do know from the administrative data that only 3% of JSA customers have been in receipt for more than 2 years.

6.22. Time-limiting SMI would reposition SMI as provision for only short-term emergencies. To implement time-limiting for pensioners, those with disabilities, and lone parents would tend to undermine wider welfare objectives for these groups which are to ensure the necessary time and support to move closer to the labour market or in to work. We are not therefore extending any time-limiting to these groups while they remain entitled to IS or ESA or where they move from any of these benefits to JSA within 12 weeks of their IS or ESA claim ending. Instead time-limiting is only for those making new claims or some repeat and existing claims to JSA which represents only 4% of the existing SMI caseload.

### **Standard Interest Rate (SIR) Freeze**

6.23. This decision is linked in with general reform of SMI and fixes the standard interest rate, which sets the level of SMI, at 6.08%; rather than reducing this to 4.58% in line with Bank of England base rate. This is to be reviewed within six months.

6.24. Data from the Council of Mortgage Lenders and the Bank of England show that the weighted average interest rate for mortgages is 5.83%. Table 5.6 shows the average interest rate for different types of mortgage and the proportion of new mortgages by type.

**Table 5.6 Average Interest Rate and Type for New Mortgage Products<sup>4</sup>**

	Fixed rate	Tracker	Standard variable rate
Average interest rate	5.74%	5.92%	6.67%
Proportion of new mortgages issued over the last two years	74%	22%	5%

Source: CML and Bank of England

6.25. Nearly three quarters of those taking out a mortgage choose a fixed rate which will not respond to changes in the BoE rate. Those with a standard variable rate can also not rely on the lender passing on a change, in part, or in full. So there are potentially nearly 80% of mortgagees, on fixed or standard variable rate mortgages, which may not see their interest rate change at the same rate as the BoE.

6.26. Table 5.7 shows what SMI payments would be for various sizes of mortgages at different BoE base rates. For example, an individual with £100,000 remaining on their mortgage would receive £507 in SMI per month at a SIR of 6.08% but would see this reduce to around £382 per month if the SIR was reduced by one and a half per cent.

### **Table 5.7: Relationship between Standard Interest Rate and BoE rate**

<sup>4</sup> It should be noted that the figures quoted above use the latest available evidence but do not take account of the recent reduction in the BoE Base Rate

Bank of England base rate	Standard rate of interest	Monthly ISMI payment <sup>5</sup>			
		on a £75,000 mortgage	on a £100,000 mortgage	on a £150,000 mortgage	on a £175,000 mortgage
1%	2.58%	£161	£215	£323	£376
2%	3.58%	£224	£298	£448	£522
3%	4.58%	£286	£382	£573	£668
4.50%	6.08%	£380	£507	£760	£887

Source: Bank of England

## 7. What is the impact of the proposal or change on different groups?

7.1. Whilst these measures are purposely targeted at the working age, and so will disproportionately impact on certain customers, our analysis shows that there are no undue negative effects on any specific groups.

7.2. The reforms are only for new claims and some repeat and existing claims, but it has not been possible from the data available to separate out new claims from the main stock of customers. Further work is being done to investigate what can be done to improve our understanding of this area

7.3. Fixing the mortgage interest rate at 6.08% will apply to and benefit all recipients of SMI.

7.4. The impact of these measures have been considered in the context of the general duties, the [Race Equality Duty](#), the Disability Equality Duty and Gender Equality Duty on public authorities to:

- Eliminate discrimination.
- Promote equality of opportunity.
- Promote good relations between persons of different racial groups.
- Eliminate unlawful harassment of disabled people.
- Take steps to take account of disabled persons' disabilities.
- Promote positive attitudes towards disabled people;
- encourage participation in public life.

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<sup>5</sup> These figures are indicative amounts based on stylised individuals. The monthly ISMI payment has calculated by applying the standard rate of interest to the capital amount of the mortgage and dividing this by 12.

### Current Caseload

7.5. The existing SMI caseload is estimated to stand at 220,000 and this comes at a cost to Government of approximately £401 million per annum (2007/8 figures). Table 7.1 shows this caseload split over the three qualifying income related benefits: Income Support (IS) and Jobseeker's Allowance (JSA), for those of working age, and Pension Credit (PC).

**Table 7.1: SMI recipients and eligible benefits**

Proportion of Caseload			
Working Age			Elderly
IS (Lone Parents)	IS (Disabled)	JSA	PC
10%	29%	4%	57%

Source: DWP: Quarterly Statistical Enquiry, February 2008.

7.6. The largest component of the overall caseload is that of Pension Credit recipients. More than 50% of those receiving SMI are in receipt of Pension Credit. The remaining caseload is mostly split between Income Support for lone parents (10%) and disabled people (29%). Unemployed people account for only 4% of those in receipt of SMI. Although SMI is paid to others receiving Income Support, the numbers are small.

### Age

7.7. The policy reform for SMI is purposely targeted at new claims by working age customers; however, there is already no waiting limit applied to those over pension age so only the capital limit and time limiting elements of the reform introduce a difference in entitlement by age.

7.8. Table 7.2 shows the age profile of SMI customers in receipt of working age benefits, Income Support and Jobseeker's Allowance, and those over pension age in receipt of Pension Credit.

**Table 7.2: SMI recipients by age**

	Proportion of SMI Caseload				
	All	Working Age			Elderly
		All	IS	JSA	PC
18 to 24	-	-	-	-	
25 to 29	1%	2%	2%	2%	
30 to 34	2%	5%	6%	5%	
35 to 39	5%	12%	12%	13%	
40 to 44	7%	17%	17%	17%	
45 to 49	9%	20%	20%	21%	
50 to 54	9%	21%	21%	22%	
55 to 59	10%	22%	22%	18%	
60 to 64	15%	-	0%	2%	26%
65 and over	42%				74%
All (=100%)	100%	100%	100%	100%	100%

Source: DWP: Quarterly Statistical Enquiry, February 2008.

7.9. Over half of SMI recipients are over 60 (57%) and less than 10% are under the age of 40. Within the working age there are similar proportions in receipt within the five year age bands over 40 and a steady decline in receipt in the age groups to 25-29. Support for Mortgage Interest in the lowest age band, 18 to 24, is negligible.

7.10. Table 7.3 shows the proportion of households in receipt of any income related benefit by age, and the distribution for all households.

7.11. Receipt of income related benefits is higher in older age bands, in particular for those over age 60 which account for around a third of the population but nearly half of customers with an income related benefit.

**Table 7.3: Households by age of head and benefit status**

Age	In receipt of an income related benefit	All households
18 to 24	6%	4%
25 to 29	5%	6%
30 to 34	6%	8%
35 to 39	8%	10%
40 to 44	8%	11%
45 to 49	7%	10%
50 to 54	5%	8%
55 to 59	7%	9%
60 to 64	8%	7%
65 and over	40%	25%
All (=100%)	100%	100%

Source: Family Resource Survey 2006/07

7.12. Households in receipt of SMI are even more distributed in the higher age bands than those in receipt of any income related benefit which is in line with higher owner occupation among benefit recipients in the older groups.

7.13. Table 7.4 shows the average payments to SMI customers by age. Overall average SMI payments decrease as the age of the recipient increases; from £80 per week in the 25 to 29 group, which equates to around the previous capital limit of £100,000, to around £40 nearer retirement age, and then £27 per week for the 65 and over group, which would equate to an average outstanding balance of around £30,000 for those of pension age.

**Table 7.4: Average SMI payment by age of recipient (£ per week)**

Age	All	Working Age		Elderly
		IS	JSA	PC
18 to 24	-	-	-	
25 to 29	80	78	96	
30 to 34	74	75	65	

<b>35 to 39</b>	64	63	73	
<b>40 to 44</b>	58	58	64	
<b>45 to 49</b>	50	50	47	
<b>50 to 54</b>	43	43	46	
<b>55 to 59</b>	39	40	38	
<b>60 to 64</b>	40	35	0	40
<b>65 and over</b>	27			27

Source: DWP: Quarterly Statistical Enquiry, February 2008.

7.14. This evidence suggests that it will be the younger age groups who will benefit most from the increased capital limit and that those of state pension age who make a new claim will not be disadvantaged by not receiving the higher limit since they have much lower levels of capital outstanding.

7.15. Table 7.5 shows durations on JSA by three age bands and helps us consider the impact of the time limiting element of the reforms by age.

**Table 7.5: JSA cohort durations by Age**

<b>Age</b>	<b>Percentage of claimants remaining after:</b>					
	<b>13 Weeks</b>	<b>26 Weeks</b>	<b>39 Weeks</b>	<b>52 Weeks</b>	<b>78 Weeks</b>	<b>104 Weeks</b>
<b>18-24</b>	46%	23%	10%	3%	1%	-%
<b>25-49</b>	50%	28%	17%	12%	6%	2%
<b>50+</b>	49%	27%	15%	11%	6%	3%

Source: DWP National Benefits Database

7.16. The youngest age band, those under 25, has the shortest spells on JSA with around 10% remaining after 39 weeks and less than 1% after 78 weeks. This will be due in part to the support of the Flexible New Deal which is targeted at getting this group into work. However, this group have very low take-up of mortgage support so there would be limited impact from the reforms to Support for Mortgage Interest.

7.17. The middle and upper working age bands are similar up to 78 weeks, albeit with the 25-49 age band being consistently slightly higher, but, beyond the two year point, it is the over 50s who show the longest spells with 3 per cent remaining beyond this.

7.18. From this we can expect the time limiting to have the largest impact on older working age customers, those over 50, which account for around 40% of the JSA SMI group.

### **Gender**

7.19. The gender split of the overall SMI caseload is 47 per cent Male and 53 per cent Female, as shown in Table 7.6

**Table 7.6: Working age SMI recipients by gender**

<b>Proportion of SMI Caseload</b>
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Gender	All	Working Age			Elderly
		All	IS	JSA	PC
Male	47%	44%	40%	77%	50%
Female	53%	56%	60%	23%	50%
<b>All (=100%)</b>	100%	100%	100%	100%	100%

Source: DWP: Quarterly Statistical Enquiry: February 2008

7.20. In the working age group there are slightly more females in receipt but within this there is a big difference in the eligible benefit populations; more females in receipt of Income Support (60:40) but significantly more males in receipt of JSA (77:23). For the elderly group there is an equal split of male and female SMI recipients.

7.21. The time limiting of JSA recipients will have a larger impact on males due to their dominance within this group.

7.22. Table 7.7 shows JSA durations by gender and shows males have longer durations of receipt, and a higher proportion reaching the two year limit, 3% rather than 2% for females.

**Table 7.7: JSA caseload durations by gender**

	Females	Males
Up to 13 weeks	58%	53%
over 13 and up to 26 weeks	21%	21%
over 26 and up to 39 weeks	9%	10%
over 39 and up to 52 weeks	4%	5%
over 52 and up to 65 weeks	3%	3%
over 65 and up to 78 weeks	2%	2%
over 78 and up to 104 weeks	2%	2%
over 104 weeks	2%	3%
<b>All (=100%)</b>	100%	100%

Source: ONS Crown Copyright Reserved [Nomis.16 December 2008]

7.23. Despite the male dominance within the JSA group, only 4% of the SMI caseload is in receipt of JSA so the overall caseload impact of the working age reforms is slightly more focussed on female customers.

7.24. Welfare Reforms and Lone Parent conditionality will impact on the gender profile by reducing the number of females, primarily, on Income Support and moving these onto JSA. There is no estimate available for any gender differences within new claims but no reason to believe that men or women would be more badly affected by an economic downturn.

**Table 7.8: Working age households by gender of head**

	<b>In receipt of an income related benefit</b>	<b>All households</b>
<b>Gender</b>		
<b>Male</b>	41%	64%
<b>Female</b>	59%	36%
<b>All (=100%)</b>	100%	100%

Source: 2006/07 Family Resources Survey, Great Britain

7.25. As Table 7.8 shows, receipt of income related benefits is higher within working age households with a female head compared with the overall distribution in Great Britain. Households in receipt of SMI show a similar distribution in gender terms to those in receipt of an income related benefit albeit with a higher proportion of males.

**Table 7.9: Average SMI payment by gender of recipient (£ per week)**

<b>Gender</b>	<b>All</b>	<b>Working Age</b>		<b>Elderly</b>
		<b>IS</b>	<b>JSA</b>	<b>PC</b>
<b>Male</b>	40	48	53	34
<b>Female</b>	39	53	52	27

Source: DWP: Quarterly Statistical Enquiry, February 2008.

7.26. Average SMI payments, shown in Table 7.9, are similar for male and female recipients. However, within Income Support it is women who received higher awards by almost £5 per week. For JSA, the payments are around £1 per week higher for men; for customers over pension age it is also men with payments higher by over £6 a week.

7.27. This evidence suggests that the overall gender balance of SMI recipients is comparable to that for income related benefits; although there are a significantly higher proportion of males in receipt of JSA and so subject to the time limiting element of the reforms.

### **Race**

7.28. The Departmental administrative data does not have reliable ethnic information so the Family Resources Survey has been used to estimate the impact within the white and non-white groups. Due to small sample sizes the estimates provide are based on a three year average and should be treated with caution.

**Table 7.10: SMI recipients by ethnic group**

<b>Ethnic Group</b>	<b>Proportion of SMI Caseload</b>		
	<b>All</b>	<b>Working Age</b>	<b>Elderly</b>
<b>White</b>	85%	81%	91%
<b>Non-White</b>	15%	19%	9%
<b>All (=100%)</b>	100%	100%	100%

Source: 2004/05 to 2006/07 Family Resources Survey, Great Britain

7.29. It is estimated that around 15 per cent of SMI customers are from a non-white ethnic group. The working age has a higher incidence of non-white customers (19%) with the elderly a lower proportion of non-whites (9%).

**Table 7.11: Working age households by ethnic group of head**

<b>Ethnic Group</b>	<b>In receipt of an income related benefit</b>	<b>All households</b>
<b>White</b>	85%	90%
<b>Non-White</b>	15%	10%
<b>All (=100%)</b>	100%	100%

Source: 2004/05 to 2006/07 Family Resources Survey, Great Britain

7.30. The white and non-white ethnic profile of SMI recipients is comparable to that for recipients of income related benefits which shows a higher proportion of non-whites than in Great Britain; see table 7.11.

**Table 7.12: Working age households by tenure and ethnic group of head**

<b>Ethnic Group</b>	<b>% Owner Occupation with Mortgage</b>
<b>White</b>	54
<b>Mixed</b>	38
<b>Indian</b>	47
<b>Pakistani or Bangladeshi</b>	42
<b>Black or Black British</b>	32
<b>Other</b>	34

Source: 2004/05 to 2006/07 Family Resources Survey, Great Britain

7.31. Levels of owner occupation with a mortgage within the working age are highest for the white group (54%). Within the non-white group, Indian households have the highest level of home ownership with a mortgage and Black or Black British households have the lowest.

### **Disability**

7.32. The numbers of SMI customers with a disability have been derived from the DWP administrative data using receipt of Disability Living Allowance or Attendance Allowance as a proxy for disability.

**Table 7.13: SMI recipients in receipt of a disabled benefit**

<b>Disabled Status</b>	<b>Proportion of SMI Caseload</b>				
	<b>All</b>	<b>Working Age</b>			<b>Elderly</b>
		<b>All</b>	<b>IS</b>	<b>JSA</b>	<b>PC</b>
<b>In receipt of AA/DLA</b>	42%	39%	43%	2%	44%
<b>Not in receipt of a disability benefit</b>	58%	61%	57%	98%	56%
<b>All (=100%)</b>	100%	100%	100%	100%	100%

Source: DWP: Quarterly Statistical Enquiry: February 2008

7.33. Overall there are around two fifths of SMI customers with a disability; of which most are in receipt of Income Support or Pension Credit rather than Jobseeker's Allowance.

7.34. Whilst there are some disabled customers who are in receipt of Jobseeker's Allowance, any disabled customers who did qualify for SMI whilst receiving IS or ESA would benefit from the reduced waiting period and increased capital limit but be specifically excluded from the two year time limit if they go onto claim JSA within 12 weeks of their entitlement ending.

7.35. The Family Resources Survey has been used to look at the disability status of SMI recipients against those in receipt of an income related benefit and all households.

**Table 7.14: Working age households by disability status**

<b>Disabled Status</b>	<b>In receipt of an income related benefit</b>	<b>All households</b>
<b>In receipt of AA/DLA</b>	19%	5%
<b>Not in receipt of a disability benefit</b>	81%	95%
<b>All (=100%)</b>	100%	100%

Source: 2004/05 to 2006/07 Family Resources Survey, Great Britain

7.36. Working age households in receipt of SMI have a much higher prevalence of adults who are in receipt of AA or DLA (39%) than households in receipt of an income related benefit (19%) and all households (5%).

## **8. Next steps. Further Monitoring and Evaluation**

8.1. We will be developing an integrated package of monitoring and evaluation activity, with a full evaluation carried out towards the end of 2010, in order to determine the effectiveness of the reforms and so the future direction of this support.

8.2. For monitoring and evaluation, we are considering looking at levels of SMI receipt within each benefit group, identifying those claims which are taking advantage of the new capital limits, and monitoring durations and outcomes for those in receipt of JSA (given the time limiting element which applies to these cases).

8.3. We are just beginning to consider how this could be done through our existing management information and, in addition, we are working to identify information gaps so we can gather appropriate information from lenders to help us better understand the specific mortgage products and circumstances of customers who are in receipt of Support for Mortgage Interest.

8.4. Further to our monitoring and evaluation plans for the SMI reforms we will be undertaking a six month review of the decision to freeze the Standard Rate of Interest.

This review will be informed by the administrative data held by the Department, the BoE base rate and the interest rates which are being offered by lenders across mortgage products. In addition, we are working to identify gaps in our understanding so we can gather appropriate information from lenders to help us better understand the specific mortgage products and circumstances of customers who are in receipt of Support for Mortgage Interest.'

**9. Name and contact details of the officer(s) responsible for the assessment**

Tim Roscamp and Steve Ellerd-Elliott

Housing Benefit Strategy Division

DWP, Caxton House

Tothill Street

London

SW1H 9NA