

Owned, Financed or Leased: What Changes at Closing



How each type of solar system affects the contract, the loan and the appraisal.

The single biggest factor in a smooth solar closing is knowing which kind of system you're dealing with. Here's how the three setups compare.

	Owned (cash)	Owned with a loan	Lease or PPA
Who owns the panels?	The seller, then the buyer	The seller, with a loan or lien on them	A solar company
Part of the house?	Yes, transfers with the home	Yes, once the loan is paid off	No. Treated as the solar company's property
What happens at closing	Nothing special. Hand over warranties and monitoring login.	Loan paid off from the seller's proceeds and any UCC-1 terminated. Some loans can be assumed.	Buyer applies to take over the agreement, or the seller buys it out or prepays it.
Buyer approval needed?	No	Only if assuming the loan	Yes. The solar company usually runs a credit check.
Effect on the appraisal	Can add value. Appraisers may use production data and remaining life.	Same as owned, once paid off.	Usually adds no value to the appraisal. The monthly payment may count in the buyer's debt-to-income ratio.
Typical timing risk	Low	Medium: payoff and lien release	Higher: transfer approval can take weeks

Leases and PPAs: your options

When the panels are leased or under a PPA, there are three common paths. Get the seller's choice in writing early.

■ Buyer takes over the agreement

Most common. The buyer applies with the solar company and signs a transfer. Start the application as soon as you're under contract.

■ Seller buys out the system

The seller pays the solar company to own the panels outright, and they then transfer with the house like an owned system.

Seller prepays the remaining payments

The buyer gets the panels' power for the rest of the term without monthly payments. Ask the solar company if this is allowed.

Write it into the contract

- Name the system's ownership type and who is responsible for any payoff, buyout or transfer.
- Make the purchase contingent on the solar company approving the transfer, if there is a lease or PPA.
- List the documents the seller will provide: agreement, warranties, production history, monitoring login.
- Ask the title company to check for a UCC-1 filing as soon as escrow opens.

Helping the appraiser

Appraisers can only give credit for what they can document. For an owned system, send the appraiser the system size, install date, a year of production data and the warranties. Some appraisers use the Appraisal Institute's Residential Green and Energy Efficient Addendum to record this information.

Talk track for buyers

"These panels are leased, so you'd take over a fixed payment to the solar company in exchange for lower electric bills. We can look at a year of bills together to see whether the savings cover the payment."

Have a solar question on a specific deal?

I'll review a solar lease or loan with you and help your client understand their options. Have a client who wants to go solar? Refer them through our referral program at 1000dollarreferrals.com and earn a referral bonus.

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