

Solar Energy Systems

and their impact on mortgage financing

Guild
mortgage



Do you have clients looking to buy or sell a home with solar panels?

We're here to help you serve your customers.

We've created this guide to help you understand different types of solar panel financing options. Navigate any challenges and help your clients purchasing or selling a home with solar panels.

Let's get started!



5 ways to acquire a home solar panel system

1. Cash

- Customer purchases solar panel system with cash
- System owner is the homeowner

2. Secured loan

- Customer purchases solar system with a secured second mortgage
- System owner is the homeowner

3. Unsecured loan

- Customer purchases solar system with an unsecured loan
- System owner is the homeowner

4. Lease

- Customer acquires solar system via a lease and agrees to rent the system for a fixed payment over an agreed-upon time
- System owner is solar company, not the homeowner

5. Purchase Power Agreement (PPA)

- Customer acquires the use of the system based on the energy the panels produce over an agreed-upon time
- System owner is solar company, not the homeowner



UCC Filings

What is a UCC filing?

A UCC filing is a legal document that a third-party or lender files with the county recorder's office when they have a security interest against a movable asset (the fixture). It gives notice that the lender has an interest, or lien, against the fixture being used to secure the financing.

What are fixtures?

Fixtures are any objects that are permanently attached or fixed to a property. When a home is sold, the fixtures are typically included in the sale.

What is a financing statement?

A financing statement provides public notice of the security agreement between the homeowner and the lender. The financing statement describes the types of collateral that are pledged against the value of the loan, and it identifies the parties that have an interest or stake in the collateral if the homeowner defaults. It gives notice that the solar system owner is not the homeowner but, rather, the solar lender instead.

How solar impacts mortgage financing

Example: Homeowner purchased using cash

Documentation needed from seller:

At time of signing listing agreement
or before MLS input

- **Solar purchase agreement** - all pages
- **Any documentation the seller has** that describes the manufacturer and/or size of the solar system
- **12 months' history of electric bills** to show buyer what cost of electricity has been over the past year
- **12 months' data from website for the solar monitoring platform** (such as SolarEdge) that seller uses to track the well-being of the system, the energy produced by the system and the revenue (energy credits) earned when the homeowners own the energy the system produces

If solar panels are **owned free and clear**, then the system owner is the **homeowner**

Impact on the appraised value:



Value: solar panel system value may be included in appraised value



Real property: solar panel system is considered a “real property fixture”



Appraiser: must include comparable sales with solar, if available, and comment on the marketability of the property with the solar panel system

How solar impacts mortgage financing

Example: Homeowner purchased using a secured loan

If solar panels are **financed and collateralized as a secured loan against the property**, then the system owner is the **homeowner**

Impact on the appraised value:



Value: Solar panel system is not included in value if panels can be repossessed for default on the financing; otherwise, system can be included in value (check verbiage in Promissory Note)



UCC filing: Financing statement should appear on the preliminary title report and is removed when the solar loan is paid off



Collateral box: Includes real estate and shows that solar panel system is considered a real property fixture

Documentation needed from seller:

At time of signing listing agreement or before MLS input

- **Solar purchase agreement** - all pages
- **Promissory note** (if buyer is assuming seller's solar loan)
- **Most recent** monthly solar loan account statement for escrow
- **Documentation that provides the manufacturer** and/or size of the solar panel system
- **12 months' history of electric bills** to show buyer what cost of electricity has been over the past year
- **12 months' data from website for the solar monitoring platform** (such as SolarEdge) that seller uses to track the well-being of the system, the energy produced by the system, and the revenue (energy credits) earned when homeowners own the energy the system produce

From solar company/escrow prior to closing

- **Pay-off demand statement** from solar lender (if loan is being paid off)
- **Solar loan assumption** (if buyer is assuming seller's loan)

How solar impacts mortgage financing

Example: Homeowner purchased using an unsecured loan

Documentation needed from seller:

Before MLS input

- **Solar purchase agreement** - all pages
- **Documentation that provides the manufacturer and/or size of the solar system**
- **12 months' history of electric bills** to show buyer what cost of electricity has been over the past year
- **12 months' data from website for the solar monitoring platform** (such as SolarEdge) that seller uses to track the well-being of the system, the energy produced by the system, and the revenue (energy credits) earned when homeowners own the energy the system produces

If solar panels are **financed as an unsecured loan that is personal property**, then the system owner is the **homeowner**

Impact on the appraised value:



Value: Solar panel system is not included in appraised value because the system is not a real property fixture; it's personal property. When the solar loan is paid off, then the system will become a real property fixture



UCC filing: Financing statement should appear on the preliminary title report and is removed when the solar loan is paid off



Collateral box: Solar panels and related components are the only collateral

How solar impacts mortgage financing

Example: Homeowner purchased using a lease

If solar panels are **acquired via a lease for a fixed rent payment over a fixed timeframe**, then the system owner is the **solar company**

Impact on the appraised value:



Value: Solar panel system is not included in value because the system is the property of the solar company



UCC filing: A financing statement or a “Notice of Independent Solar Energy Producer Contract”



Collateral box: Reflects “solar panels and related components” as the only collateral

Documentation needed from seller:

At time of signing listing agreement or before MLS input

- Solar lease agreement - all pages
- Any lease agreement amendments
- Most recent monthly lease account statement (escrow needs contact information for lease account transfer paperwork from seller’s name to buyer’s name)
- Documentation that provides the manufacturer and/or size of the solar panel system
- 12 months’ history of electric bills to show buyer what cost of electricity has been over the past year

From solar company/escrow prior to closing

- Solar lease account transfer paperwork from seller’s name to buyers name

How solar impacts mortgage financing

Example: Homeowner purchased using a PPA

Documentation needed from seller:

Before MLS input

- Solar lease agreement - all pages
- Any PPA amendments
- Most recent monthly PPA account statement (escrow needs contact information for lease account transfer paperwork from seller's name to buyer's name)
- Documentation that provides the manufacturer and/or size of the solar panel system
- 12 months' history of electric bills to show buyer what cost of electricity has been over the past year

From solar company/escrow prior to closing

- Solar PPA account transfer paperwork from seller's name to buyers name

If solar panels are **acquired via a Power Purchase Agreement (PPA) based on the energy the panels produce**, then the system owner is the **solar company**

Impact on the appraised value:



Value: Solar panel system is not included in value because the system is the property of the solar company



UCC filing: A financing statement or a "Notice of Independent Solar Energy Producer Contract"



Collateral box: Reflects "solar panels and related components" as the only collateral

Provide the following documents to your loan officer and include with the seller's property disclosures

Consider uploading applicable documents to the MLS so that buyer agents can share with their clients before writing an offer

- ✓ **Solar purchase agreement**
(or lease agreement/PPA agreement) - all pages
- ✓ **Any amendments to lease or PPA agreements**
- ✓ **Promissory note**
(if buyer is assuming seller's solar loan)
- ✓ **Most recent monthly solar loan account statement**
(or monthly lease or PPA statement) - provide to escrow
- ✓ **Documentation that provides the manufacturer and/or the size of the solar panel system**
- ✓ **12 months' history of electric bills**
to show buyer what the cost of electricity has been over the past year
- ✓ **12 months' data from website for the solar monitoring platform**
(such as SolarEdge) that Seller uses to track the well-being of the system, the energy produced by the system, and the revenue (energy credits) earned when homeowners own the energy the system produces (Note: sellers with leases or PPAs will not have access to the monitoring site since the solar system does not belong to them.)

With Guild, you can expect:

Exceptional service

You'll get an attentive lender committed to closing your loan on time.

Deep expertise

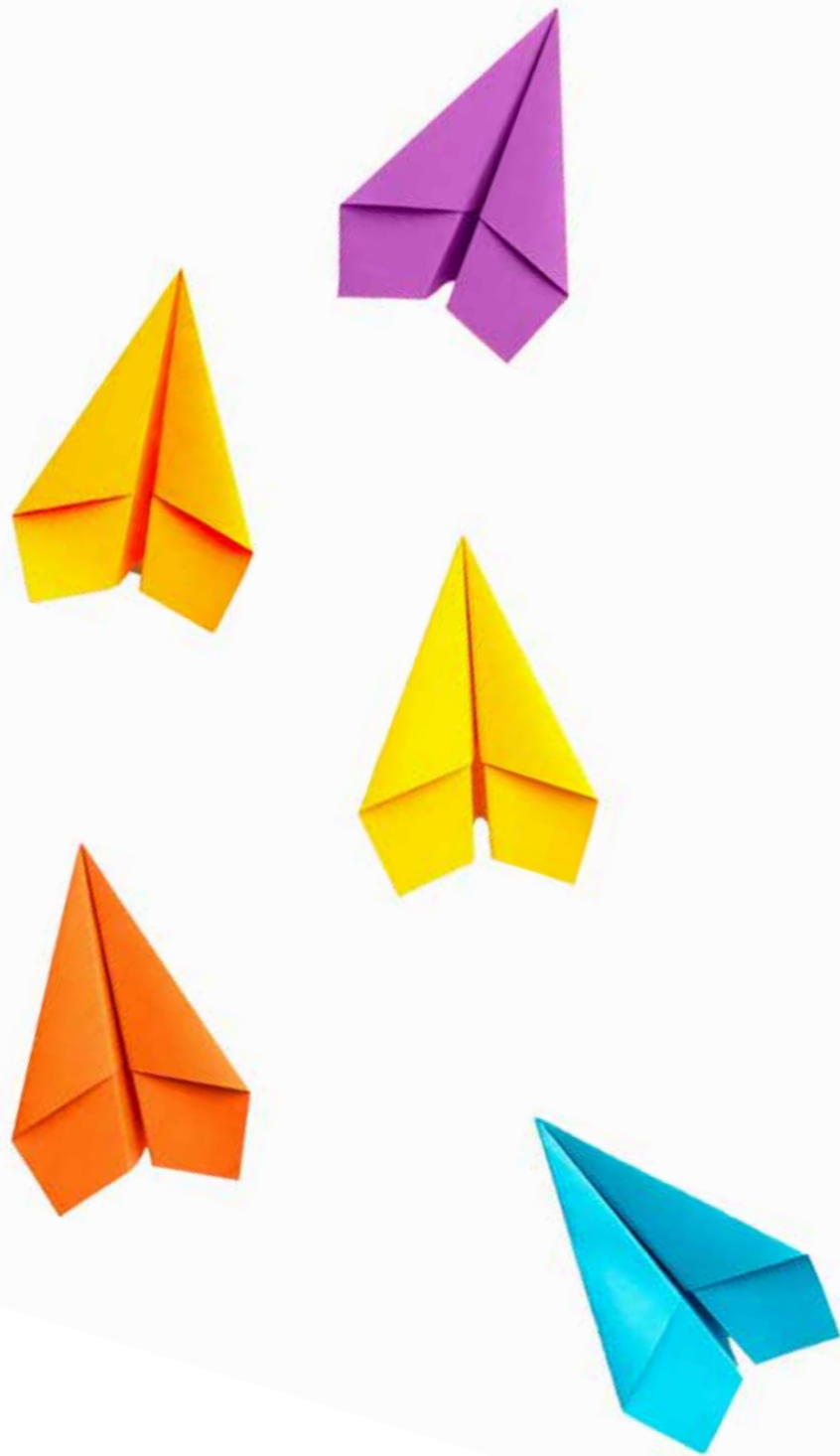
You'll work with an experienced partner offering a wide array of loans and programs to fit your individual situation.

Local support

You'll have loan officers you can meet face-to-face, with fast local processing, underwriting and funding.

Long-term relationships

You'll have a partner who will be there for you for the long term. We service the majority of the loans we close.





Contact us to learn more today!

