

SELLING YOUR SOLAR HOME



Millions of homeowners have gone solar.

They are saving money on their electric bills and investing in energy freedom with a clean power source. Solar's growing popularity also means that more homeowners are looking to sell their solar homes. If you are one of those homeowners, this guide is for you.



A stylized sunburst graphic composed of numerous thin, light-colored rays radiating from the left side of the page, set against a solid orange background.

SOLAR ADDS VALUE TO YOUR HOME

A typical residential solar array owned by the homeowner adds at least \$15,000 to home resale value*. Prospective homebuyers want homes with minimal operation costs. Just as your solar panels have reduced your own electric bills, they will reduce the bills for the new homeowner.

* <https://emp.lbl.gov/sites/default/files/lbni-6942e.pdf>

STEPS TO TAKE WHEN SELLING A SOLAR HOME

1

Work with realtors and appraisers who have experience with solar homes.¹ This will help you capture the full value of your solar home during the sale process. The National Association of Realtors offers its members a Green Designation.² Realtors with this designation may be more familiar with solar and other energy retrofits.

2

Request a real estate appraiser who is properly trained in evaluating the impact of solar and ask about adding a green energy addendum to your appraisal.³

3

Provide your realtor information about your monthly solar bill savings and the predicted remaining lifespan of your panels. Your realtor can display that information during open houses. If you're unsure of the remaining lifespan of your panels, contact your solar installer and request the product spec sheet for your brand of solar panels. The spec sheet will list the term length of your panels' power production warranty. Subtract the age of your system from the warranty length to estimate your system's remaining lifespan.

4

If you're thinking about moving your solar array to your new home, consult your installer about the cost and viability of re-installation. State law may also treat the system as a fixture and require negotiation for its removal with the homebuyer.

5

If you financed your array with a loan, check with your loan provider on any requirements related to the sale of your home.

1 <https://www.seia.org/research-resources/guide-valuing-residential-solar-energy-systems>

2 <http://greenresourcecouncil.org/>

3 <https://greencommunities.com/appraisers/>



WHAT IF I HAVE A POWER PURCHASE AGREEMENT OR AM LEASING MY SYSTEM?

If your system operates under a lease or power purchase agreement (PPA), that means a third party owns the system on your behalf. While a lease or PPA provider can't block the sale of your home, solar leases and PPAs can be challenging to navigate during the home sale process if you don't understand your contractual options and obligations.

If you've installed solar panels on your roof through a solar lease or PPA, you have three primary options when it comes time to sell your home. You can: transfer the system to the new homeowner; buy out or pre-pay the remainder of the lease or PPA; or keep the lease or PPA and move it to your new home. Regardless of which option you pursue, it's important to consider what should be done before the home is put on the market.

BEFORE THE SALE

Re-read your contract carefully and call your solar provider to ask about your options. You will need to take certain steps with the help of the solar provider in advance of the home sale depending on the option you select. The provider may also have valuable informational materials to help explain the process to you, your realtor, and to potential homebuyers.

Properties with solar arrays owned by third parties (i.e. your PPA or lease provider) often have something called a "UCC-1 Fixture Filing" associated with them in the real estate records. The statement is a notice of the third-party owner's rights to the system if the homeowner defaults on the contract. The third-party owner's right to file this statement is disclosed within the terms of the lease or PPA, so it's important to read your contract carefully.

In some cases, a prospective mortgage lender might take issue with the presence of the UCC-1 Fixture Filing. This could complicate the mortgage application process for the prospective homebuyer. This Fixture Filing on the property may be removed or updated to the new owner depending on whether you are removing the solar array or transferring it to the new owner. Large purveyors of solar leases and PPAs like Solar City, Sunnova, Sunrun, and Vivint Solar have dedicated staff available to work with you, your realtor, and lenders during the sale of your home.



What to do Ahead of Time if you Have a Lease or PPA?

1. Re-read your contract carefully.
2. Call your solar provider and ask about your options, the process, advance notice needed, and informational materials.
3. Work with your realtor to disclose the right info to potential buyers.
4. Work closely with your solar provider during the home sale.

COMMON OPTIONS

Option 1: Transfer the Lease or PPA to the Homebuyer

The most convenient option is often to transfer the lease or PPA to the homebuyer. Solar companies have dedicated teams to facilitate the transfer, which is executed via a transfer agreement. Some transfer agreements qualify the new homeowner based on credit. Others will accept a mortgage approval. It is important that you clearly disclose the intent to transfer the lease or PPA to a potential homeowner. This will help to facilitate a smooth negotiation process when you are selling your home. You should consider including the transfer agreement as a clause within a home sale contingency as an additional measure of disclosure, and to smooth the sales process.⁴ When you have a lease or PPA, the third party owner is responsible for any operations and maintenance for the system. This may be an important benefit to a prospective buyer but you may need to explain it to them.

Option 2: Prepay Your Lease or PPA

One simple approach is to buy out the lease and convey the system with the house as an added benefit. This may be necessary if your prospective homebuyer does not want to take on your solar lease or PPA. Most instances of prospective homebuyers refusing to take on your solar lease or PPA result directly from inadequately disclosing the lease or PPA during the negotiation process and not providing information on the savings and benefits associated with the solar PPA. If your homebuyer refuses to assume your solar lease or PPA, and you can't find another buyer, you will most likely need to pre-pay the remaining value of the system in a one-time payment to your system's third-party owner in order to remove your contractual obligation to the system's owner.

This one-time payment may give you ownership of the system. In some cases you may not be able to buy the system before a certain number of years, typically five, have passed on the contract. If you sell your home before that time period you may be in the position of pre-paying the rest of your contract but not gaining ownership of the system. In that situation you would be making a payment to satisfy your contract

obligations. The system's third-party owner would come then and remove the panels. Prepaying a lease or PPA in this situation is not ideal, as doing so will likely negate the savings you've accrued from the solar electricity.

If you are able to own the system, the lease or PPA provider may offer a prepayment discount, so be sure to inquire accordingly. If you do end up owning the system after the pre-payment, the value of that system can more clearly be passed on in the sale of the home.

In some cases the homebuyer may not want the system on the roof for other reasons. If that happens and you can't move the system to your new home (Option 3 below) you may need to prepay the system and have it removed.

Option 3: Move Your Lease or PPA to Your New Home

If you'd like to keep your solar lease or PPA, you may be able to remove the panels from your current roof and move them to your new roof. This would mean that the homebuyer would not assume the lease or PPA from you. Some lease and PPA providers will offer this arrangement to their customers and some will not. You should check with your provider about the viability of moving your panels and continuing your lease or PPA. Even if your provider allows it, the removal and reinstallation of your solar panels may be complicated by a few factors.

Your lease or PPA provider will need to receive new interconnection approval from your utility to install the panels on your new roof. Leases and PPAs are based on a certain level of electrical production that is affected by physical characteristics of the roof. Your new home will need to have comparable solar viability as your original home in order to maintain the economic validity of the contract. Things that impact economic viability include roof orientation, shading, and the amount of available roof space. It is up to your lease or PPA provider to determine whether your new roof is compatible with the terms of your lease or PPA agreement. If it is and the transfer is allowed, you may have to pay for the panels to be removed from your original roof and reinstalled at your new home. These fees may range from \$500 to \$2,500.

⁴ <http://www.criussolar.com/what-happens-to-my-solar-system-if-i-move/>



Solar United Neighbors is a community of people building a new energy system with rooftop solar at the cornerstone. We help people go solar, join together, and fight for their energy rights.

Want more help? Become a member and use our help desk for neutral, professional advice you can trust.

WWW.SOLARUNITEDNEIGHBORS.ORG/MEMBERSHIP

Solar United Neighbors is a 501(c)3 nonprofit. We are the only nationwide organization dedicated to representing the needs and interests of solar owners and supporters.