

CONSUMER GUIDE: HOW SOLAR IMPACTS A REAL ESTATE TRANSACTION

The appeal of solar panels, with the promise of lower electricity bills and a smaller carbon footprint, is obvious. If you're considering buying a home with a solar installation, however, be aware of factors such as who owns the system; the age and condition of the panels; and local utility and regulatory policies that might influence solar performance and savings in the area.

Who owns the solar system? Homeowners have three options when adding solar: They can **purchase** a system outright or with financing; **lease** solar panels from a third-party company; or sign a **power purchase agreement (PPA)** through which they buy electricity generated by a third-party company that owns the solar panels installed on their home. Real estate contracts vary by state, but many include language that specifies whether panels are owned or leased.

Mortgage underwriting guidelines require the panels to be owned before an appraiser can consider whether they add "contributory value" to the property. If the owners took a loan to finance the system, that **loan must be paid off before the home sale closes**. If the solar panels are leased or tied to a PPA, you'll be assuming a contract with a third-party solar company. That means monthly payments, usage terms and restrictions on modifications. **Read any lease agreement carefully before committing.** The lease agreement may require a [UCC \(Uniform Commercial Code\) lien](#) on the property, and the lease payments will be considered by your lender in determining your creditworthiness. In some states, solar companies offer PACE (property assessed clean energy) loans. These are paid back through an increase in the property taxes you pay, and the Consumer Financial Protection Bureau warns that if you don't make the payments, you could lose your home.

How much can you expect to save on energy costs? That depends on a range of factors—from the age of the system to how much sunlight the roof gets. [Energy Sage](#) offers a solar calculator, but ask for documentation on the existing system as well as past electricity bills and solar production records. That will enable you to compare the cost of energy with that of homes that don't have solar.

Also be aware of:

- **The system's age.** Upgrading an aging system is costly. The lifespan of a solar system [depends on the photovoltaic \(PV\) technology used](#). A typical system today is expected to last 25–30 years, though a system could produce meaningful power past its useful life.
- **How the local utility handles excess solar energy.** Net metering policies, which allow you to sell surplus power back to the grid, vary by state and utility provider.
- **Whether the system was properly permitted and inspected.** Unpermitted systems can create headaches for buyers and sellers.
- **What warranties transfer with the property.** Read Energy Sage's explanation of [what to look for in a solar warranty](#).
- **Whether there's a homeowners association.** Confirm that there are no HOA restrictions on solar panels or future modifications to the system. (Many states have outlawed such restrictions.)
- **The condition of the roof?** Because solar panels are roof mounted, an inspection that confirms the roof's age and condition is essential. If the roof needs replacement in the next few years, you'll have to pay to remove the panels, reroof and reinstall them.

Should you expect to pay a premium for a home with solar? While solar can add to the desirability of the home, a home's price depends on what buyers are willing to pay in a competitive situation. The factors above will influence whether homes with solar can command a higher price.

Note: Talk with your insurance agent to determine how solar panel placement could affect coverage, and work with a real estate professional who is knowledgeable about solar.

Your real estate agent will help you navigate the purchase or sale of your home; for legal advice, consult an attorney licensed in your state. Not all real estate professionals are REALTORS®. Only those who are members of the National Association of REALTORS® may use the term REALTOR®, and they are obligated under NAR's Code of Ethics to work in your best interest. Please visit [facts.realtor](#) for more information and resources.