

# SOLAR LEASE TRANSFERS

A homeowner's guide when selling a home.



This guide is an introductory overview for solar home owners on the steps involved to transfer your solar lease when you sell your home.

## CONTENTS

- Overview
- Key players
- Step by step process
- Key documents
- Resources

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## So You Have a Solar Lease...

While many homeowners understand the value of the savings and benefits of their solar, many potential home buyers will have reservations about taking over someone else's solar lease payments in a home that they don't fully understand how much the solar will cost them to run and operate. With the typical solar lease lasting 20 to 25 years, the reality is that the average homeowner in the Phoenix area only lives in a home for 7 to 10 years. Having a solar lease on the home guarantees that the average homeowner will need to sell their home and convince a potential buyer that the solar is a good deal for them too.

Home owners go into solar leases primarily because there is not a large upfront cost yet they are able to realize a nice monthly savings from their current electric bill. Instead of paying thousands of dollars for a solar system, they defer the upfront costs with a manageable monthly payment with the assumption that their new cost of electricity (new, lower electric bill plus the monthly solar lease payment) is less than what they are used to paying for electricity without solar.

However home buyers are generally hesitant to take over a \$100 to \$150 a month payment, especially when they are often told that they have to assume a solar lease in order to buy this

house. Imagine looking at something and one of the first things said to you is that you have to incur an additional \$150 a month debt to buy this home. I know my initial reaction is to be instantly turned off...how do I know it is a good deal? Is there really a monthly savings? Is this going to cost me more because someone else didn't know how to negotiate a lease? These doubts are further compounded by a lack of marketing the benefits of the solar. For the majority of solar homes that have leases, very little time and energy is spent focusing on the benefits and advantages of the solar but it will always be emphasized that the buyer is required to take over a payment. The only message that a potential home buyer hears is nothing about the benefits but everything about how they need to assume a lease payment.

While I am not going into the marketing of a solar home that has a monthly solar lease, your real estate agent is the key to getting your home sold. There are many well qualified real estate agents out there that do a great job of marketing and negotiating the sale of a regular home; however, you do not have a regular home. It may look the same as the neighbors, you know, windows, doors, a roof on top, and plenty of attractive features and upgrades on the inside. Yet, those dark panels on your roof now pull your home out of the mix of the run-of-the-mill-everyday homes and into a unique category by itself. Be sure to hire a real estate agent that not only understands

# SOLAR LEASE TRANSFERS

A homeowner's guide when selling a home.

Page 2

how to market and negotiate a home but also has a great solar marketing plan and experience in handling solar lease transfers. This one bit of advice alone can be the difference of thousands of dollars for if the buyer fails to recognize the benefits of your solar, they will either go look at the home down the street instead (and you are having to drop your price because no one wants to look at it) or they will lowball an offer because they are required to take over someone else's mistake (their opinion, not mine).

## Solar Lease Transfers

In the following sections, we will be discussing the steps involved to transferring your solar lease from you to your new home buyer. This assumes that you have made the decision to sell your home, have interviewed and selected a competent solar real estate agent, and are ready to sell. We will outline the various people involved in your solar lease transfer, the documents that will be used throughout this process, and detail each step of the solar lease transfer. By the end, you will have a greater understanding of the process involved so that when you do sell, the lease transfer process will be smooth and easy.

During the solar lease transfer, there are several key players that are involved in helping you and the buyer transfer the solar lease and close on the sale of your home:

**Listing Agent (LA).** For you as the seller, the real estate agent that you hire to sell your home is your key point person throughout this process. As stated earlier, your real estate agent should be knowledgeable in lease transfers, how

to market your solar, and how to protect you during contract negotiations, especially given that you are expecting the buyer to assume your solar lease. A great resource for questions to ask a listing agent before you hire them can be found at:

<http://www.solarhomebroker.com/10-questions-you-should-ask-a-realtor-before-listing-your-home-for-sale/>

**Buyers Agent (BA).** More likely than not, your home buyer will have a real estate agent representing them throughout the purchase of your home. It is their job to be an advocate for the buyer's interests. It is also likely that the buyer's agent will have little to no experience dealing with a solar lease transfer, handling contract addenda requiring the lease transfer in the purchase contract of the home, or even know the criteria that the buyer must satisfy in order to qualify for the lease transfer. The buyer's agent is a key person that will directly influence the success of the lease transfer since they have a lot of influence over the buyer. Your listing agent should have a plan to educate the buyer's agent in order to bring them up to speed about the requirements and steps involved in the lease transfer. If your listing agent does not have a plan, here's to hoping that all goes well for you.

**Mortgage Lender (ML).** In roughly 85% of all of the solar home sales in the Phoenix area, the home buyer financed the purchase of the solar home using conventional or government backed mortgages. With any mortgage, there is a mortgage lender involved in originating and funding the home loan. Until recently, the mortgage lender should not require the buyer to

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# SOLAR LEASE TRANSFERS

A homeowner's guide when selling a home.

Page 3

use the solar lease payment in their qualifying calculations. Conventional loans, VA mortgage and FHA insured loans have specifically stated in their mortgage qualifying guidelines that a solar lease payment is not to be used against the buyer's ability to qualify for a home loan. However, there are a few lenders out there that may require the buyer to calculate the solar lease payment into their mortgage qualifying criteria. Your listing agent should be asking that question.

**Escrow Agent (EA).** The escrow agent is the person hired by both the buyer and the seller (usually selected by the buyer) that helps them execute the purchase contract and oversees the actual transfer of ownership from the seller to the buyer. The EA is supposed to be an independent, neutral third party and is usually the person that submits the final transfer paperwork to the solar leasing company after it has been signed by both the buyer and the seller.

**Solar Leasing Company (SLC).** The solar leasing company is the entity that owns your solar lease, where you send your monthly solar lease payments, and is responsible for approving or denying the transfer of the solar lease from you to the buyer. For many homeowners in the Phoenix area, this would be SolarCity/Tesla, Vivint Solar, SunRun, etc.

Within the transfer of your solar lease and the sale of your home, there are a variety of documents that you or one of the key players will need to procure, sign, or handle. These documents include:

**Solar Lease Documents.** You will want to obtain

a copy of your complete solar lease, including all terms, conditions, and payment schedules. First, you need to know the terms and conditions that the lease will stipulate the transfer of responsibility including what criteria a buyer will need to satisfy in order to qualify for the lease transfer. Second, any potential buyer will want to know what their obligations will be under the lease before buying your home. Third, most contracts will require the solar lease to be included so that there is full disclosure to the buyer, the lender, and the escrow company. If you do not have a copy of your complete solar lease, most solar leasing companies should be able to provide you with one.

**Solar Lease Transfer Paperwork.** Besides asking for a copy of your solar lease from the solar leasing company, be sure to ask them for a copy of the solar lease transfer application. The transfer application is the form that the buyer fills out to find out if they are qualified to take over your solar lease. In some cases, the solar leasing company may want the buyer to call them directly in order to fill out the application over the phone.

**Solar Marketing Material.** The larger solar leasing companies usually have a variety of marketing materials that you and your listing agent can use in the marketing and sale of your home. These materials may include flyers on the simple steps to lease transfers, the benefits of having a solar lease, and booklets on how solar works. While most of these materials are general in nature, it should be a minimum step that your listing agent takes to promote your solar. On the other hand, system specific materials about your actual usage, production, and savings will give

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# SOLAR LEASE TRANSFERS

A homeowner's guide when selling a home.

Page 4

your buyer a greater understanding on how beneficial your solar system actually is and give them a greater degree of comfort and confidence that they are taking over a beneficial system rather than something that creates a monthly liability that they don't want. A great article on how NOT to market a solar home can be found at:

<http://www.solarhomebroker.com/how-not-market-solar-home-arizona/>

**Solar System Data Sheets.** When the system was installed, the solar company should have provided copies of the panel information, solar inverter manuals, and other data sheets that detail the specifics of the solar system. Sometimes this information is available and a lot of times a little research online can yield the answers. As a listing agent, I look for this data to use in the marketing, especially if the system has higher than normal efficiency, low annual degradation of production, or extended warranties.

**Utility Bills and Solar Production Data.** The seller should provide the listing agent with a 12 to 24 month history of their electric bills. Furthermore, the seller should be able to download from the web the actual monthly solar production data for the last 12 to 24 months (though if it is not available, the listing agent should be able to accurately estimate the solar production of the system based upon the size of the solar array, the age of the system, the system azimuth, and other system data. As a listing agent, I can use this data to calculate actual savings, usage and production graphs for both on peak and off peak usage, and complete a variety

of infographics and reports to illustrate the benefits of the specific solar system.

**Solar Lease Contingency.** The solar lease contingency is an addendum that you \*must\* include in the purchase contract of your home that obligates the buyer to take over your solar lease upon the purchase of your home, assuming that they qualify to do so. This contingency outlines the duties of the buyer and seller, spells out the timelines to apply for and transfer the lease, and is there to protect both the buyer and the seller. Arizona Realtors have a Solar Lease Addendum that we use in this type of situation. Without it in the purchase contract, the buyer does not have a contractual obligation to apply and transfer the solar lease into their name.

**UCC-1.** You may have heard that your solar leasing company places a lien against your home while they vehemently deny that there any such lien. While they are technically correct, most solar leasing companies do file a UCC-1 notice with the county recorders office indicating that they have ownership interest in the solar panels that sit on your roof. This document protects their ownership in the solar panels and equipment in the event that the home is sold or transferred through foreclosure to another party. While seemingly harmless, it is a filing that you will want removed since most mortgage lenders will require it to be removed prior to closing. Your escrow agent should be able to tell you if there is one filed against your home.

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# SOLAR LEASE TRANSFERS

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Page 5

## Step by Step Process

Step 1. Contact solar leasing company. Seller contacts the solar leasing company to notify them that they intend to sell their home and transfer the solar lease to a potential buyer. Seller should notify the solar leasing company that their listing agent has permission to talk to them regarding the transfer as well. As stated before, either the seller or the listing agent should request copies of all pages of the solar lease, including payment schedules, a copy of the transfer application (if applicable), and any marketing materials that they can use during the marketing of the home.

Step 2. Gather required documents. Listing agent should complete gathering documents including utility bills, production data, copies of the solar lease, data sheets, etc. to begin preparing the solar marketing materials. Listing agent should familiarize themselves with the solar lease transfer requirements and have the solar lease transfer form ready for a potential buyer.

Step 3. Sign solar lease contingency. Upon receiving a purchase contract to buy the home, buyer and seller need to include the solar lease contingency in the purchase contract. Both the buyer's agent and the listing agent should discuss with each other the steps involved in the solar lease transfer process to make sure that all parties have a clear understanding about the steps that are needed to take place before closing.

Step 4. Notify solar leasing company. Listing agent should contact the solar leasing company to notify them that the home is under contract,

provide buyer details, anticipated closing date, and escrow company contact information. Listing agent should also request the removal of the UCC-1 filing (which can take up to 14 days in some cases).

Step 5. Buyer makes contact. Buyer contacts solar leasing company and makes application for the solar lease transfer. While most solar leasing companies do not require an application fee, buyers should be aware that they may have to provide personal, financial and credit information to the solar leasing company. Buyer should notify their mortgage lender that there is a solar lease associated with the home they are purchasing and verify that the lease payment will not have any effect on their mortgage application. Buyer should review the terms and conditions of the lease to their complete satisfaction during their due diligence period.

Step 6. Follow Up. Both listing agent and the buyer's agent should follow up with the solar leasing company to track the status of the buyer's application and the removal of the UCC-1 filing.

Step 7. Buyer Approval. Upon approval of the buyer to assume the solar lease upon the closing of the home, the solar leasing company should send the formal transfer paperwork either to the escrow agent or directly via electronic signature email for both the buyer and seller to sign. If signed electronically, be sure that the escrow agent is sent a copy of the signed transfer agreement.

Step 8. Buyer contacts electric company. Buyer notifies the electric company that they are

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# SOLAR LEASE TRANSFERS

A homeowner's guide when selling a home.

Page 6

assuming the solar lease on the property when they are switching the utilities in their name. It is important that the buyer indicates whether or not they wish to continue to use the grandfathered rate plan/net metering program (if applicable) that the seller has or wishes to switch to a current rate plan (usually a higher costing plan).

**Step 9. Complete the transfer/sale of the home.** The escrow agent will complete the sale of the home at the prescribed date in the contract. Furthermore, the escrow agent will submit the signed transfer agreement back to the solar leasing company and include any required additional documentation, such as a deed showing ownership transfer for example.

**Step 10. Verify transfer.** Listing agent should verify after closing that the solar lease transferred to the buyer, the seller is released from the solar lease obligation, and no further action is required.

Looking at the step by step process, there is a lot of solar lease-related paperwork that will be used before, during and after the sale of the home. This includes:

## **Pre-sale Paperwork:**

- Solar lease and lease addenda. This includes all of the paperwork that you signed when you initially decided to install solar on your home.
- Solar leasing company transfer forms. Many leasing companies have a transfer or credit authorization form that they will want the buyer to fill out.
- Solar leasing company marketing materials.

Many solar leasing companies will provide stock, generic marketing materials that discuss the benefits of solar, how the solar lease transfer process works, and in some rare cases, specific performance/production information about the solar system.

- Electric bills. You should provide your listing agent with a minimum of 12 months worth of electric bills though 24 months is ideal.
- Solar production data. Most solar companies provide an online portal account where homeowners can track their monthly solar production. Your listing agent should be asking for a minimum of 12 months production data from your solar system. In the event that it is not available, your listing agent should how to calculate that data.
- Solar marketing materials. These marketing materials are usually generated by your listing agent to showcase the benefits and savings created by your solar system. Using the aforementioned documents, your listing agent should be able to narrow down to specific cost savings, anticipated future savings, environmental impact benefits, and other metrics that they can share with potential buyers.

## **Contract Paperwork:**

- Solar Lease Addendum. While there is not any legal provisions in the standard Arizona real estate contract that obligates the buyer to assume and take over your solar lease. Failure to include it in the purchase contract could cost you thousands of dollars in fees, attorney costs, and aspirin.

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# SOLAR LEASE TRANSFERS

A homeowner's guide when selling a home.

Page 7

## Pre-closing Paperwork:

- Transfer application. In the event that the solar leasing company does not provide a form to use prior to having an accepted purchase contract on your home, they may provide a transfer application to the buyer, the seller, and/or both parties to fill out.
- Solar lease transfer agreement. Once the buyer has been approved to transfer the solar lease into their name after closing, the solar leasing company will provide the formal and binding solar lease transfer agreement that releases you from your rights and obligations under the solar lease and transfers them to the new home buyer. Most agreements do have provisions in them that only make these agreements effective upon the successful closing of the sale of the home.

## Frequently Asked Questions

Q. What if the buyer doesn't have a credit score high enough to qualify for the solar lease transfer?

A. Most solar leasing companies have contingencies in place to give a buyer every opportunity to assume and take over the solar lease. In some cases, a one-time credit fee is charged, typically around \$250, to waive the credit requirement. Generally speaking, if the buyer can qualify for a home loan to purchase the home, the buyer should qualify to take over the solar lease.

Q. What if the solar lease transfer holds up the sale of my home?

A. It shouldn't. If your listing agent is on top of the 10 steps involved in the solar lease and proactive in their actions, there should not be any reason for a delay in closing (unless you opted for a 15 day closing when the solar leasing company needs a minimum of 30 days to complete the transfer).

Q. If the solar lease has been prepaid, does the buyer still need to transfer the solar lease?

A. Yes. Within the solar lease, there still are rights and obligations that the buyer will want, such as continued system maintenance or the power production guarantee for example, as well as you would want to be released from any potential liability that could arise if the buyer abused or damaged the system.

Q. The buyer wants me to buyout the solar lease instead of assuming the solar lease. Can I do that?

A. In most cases, yes. Typically the solar leasing company will require you to make the remaining lease payments owed for the remainder of the lease contract. Some of the solar leasing companies will encourage you to add that cost onto the price of your home. However, a prepaid solar lease will not add value to your property and in this day and age, most home buyers are savvy enough to know if your home price is out of line with the rest of the real estate market. Often times, that \$10,000+ cost to prepay the solar lease is a price too high to pay either by the buyer or the seller.

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A homeowner's guide when selling a home.

Page 8

Q. The buyer does not want my solar. Can I transfer the solar system to my next home?

A. Yes and no. While many solar leases have provision that allow for the system to transfer to your next home, there may be costs and liability issues that could preclude you from doing so. First, and most importantly, you may not be eligible for the current electric rate plan on your next home. You may be subject to higher rates and not benefit from the advantages of net metering. Second, there are transfer costs associated with the move of the system. Do you have to pay to remove and reinstall the system? Who pays for the new permits required to install the system? Third, the next home may not be ideal for the solar system. Will the next home need the same size system that you currently have? Will the new roof support the solar system? Fourth, will the buyer be happy with the repairs to the roof after the system is removed? While they solar leasing company should be liable for the repair of the roof, are there any long-term liability issues that could come up after the initial 2 year roof warranty that they provide?

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Page 9

## Resources and Contact Data

### Solar Leasing Companies:

SolarCity/Tesla

Phone: 877-650-7652

Email: [TransferTeam@solarcity.com](mailto:TransferTeam@solarcity.com)

Minimum credit score: 650, unless paying cash for the home. Will allow a \$250 fee if buyer's credit score is less than 650.

Transfer fee: \$0

Minimum 15 day notice to transfer solar.

Required information needed from buyer to transfer: Buyer to complete credit verification form to initiate transfer.

Vivint Solar

Phone: 877-278-1765

Email: [transfers@vivintsolar.com](mailto:transfers@vivintsolar.com)

Minimum credit score: Does not use credit score as a criteria.

Transfer fee: \$0

Minimum 30 day notice to transfer the solar.

Required information needed from buyer to transfer: Name (both buyer and co-buyer), address, phone number, email, date of birth (both buyer and co-buyer).

Sunrun Solar

Phone: 855-4SUNRUN ext 2

Email: [servicetransfers@sunrun.com](mailto:servicetransfers@sunrun.com)

Minimum credit score: 650, unless paying cash for the home. Will allow a \$250 fee if buyer's credit score is less than 650.

Transfer fee: \$0

Minimum 15 day notice to transfer solar.

Required information needed from buyer to transfer: Buyer to complete credit verification form to initiate transfer.

SunPower

Phone: 800-SUNPOWER

Email: [homesale@sunpower.com](mailto:homesale@sunpower.com)

Minimum credit score: 650.

Transfer fee: \$0

Minimum 30 day notice to transfer solar.

Required information needed from buyer to transfer: Buyer to complete credit verification form to initiate transfer.

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Page 10

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