

8/3/2022

To: Greater Albuquerque Association of Realtors

Subject: Solar FAQs for Solar Seminar

1. What are the steps Realtors need to take before listing a house with solar?
  - *Does it Work?: Determine if the system is operational. There will be two electrical meters near each other on the exterior of the house. As long as they both meters are changing the numerical readout, they should be working.*
  - *Access the Monitoring System: Most systems have an included monitoring system integrated into the inverter. The monitoring system is the most useful user interface and should definitely be handed off to the buyer as part the purchase. If the seller does not have access to the monitoring system, you can usually contact the inverter manufacturer to gain access to the monitoring system and check the existing inverter warranty. The inverter or micro inverters are expensive and will eventually require replacement over the years.*
  - *Who Supports It?: Determine if there is a service provider for the system. Usually the customer will have some kind of paperwork from the provider. If not, there should be some kind of document container near the electrical meters that contains details of the system as required by fire code. Many solar contractors will use a small plastic tube to store this required document that includes their contact information.*
  - *Free and Clear Ownership?: Determine if there is any kind of security interest or lien on the property associated to the solar system. The most likely source of a filing that will prevent the transfer of the house will be associated to the financing party. Most solar contractors do not have any reason to file any interest in a property after they are paid for their work by a financing party. There are some exceptions when dealing with leasing or power purchase agreements.*
2. What is a UCC1 and how does it the impact sale of a house?
  - *A UCCI is a legal form that a creditor can file to give notice of a security interest in the property. These financing statements typically have a five year shelf life and can be extended by filing a continuance prior to expiration.*
3. What is the difference between a Lease and a Power Purchase Agreement?
  - *A Lease is an agreement to pay a specified monthly payment for the use a of a solar system. The monthly payment will typically escalate each year by 3.9% which makes it an enticing sales product with front loaded savings.*
  - *A Power Purchase Agreement is an agreement to pay a specified rate for the electricity that a solar system produces. This is a similar relationship to purchasing electricity from the utility.*

- *Both financing products do not offer direct ownership until the end of the term or prior to being paid in full by the debtor. This can be a substantial liability for property transference if the buyer does not want to assume the agreement for the seller. The cumulative payments are usually between 130-140% of the cost of ownership over the agreement term. Both financing products usually have a lien or security interest associated with them.*
4. Even if a solar company says that "there is no lien", what are the steps that Realtors need to take?
    - *Request the solar provider email a letter head stating that "there is no lien".*
  5. What do realtors need to do if there is a solar loan on the property?
    - *Determine the payoff options from the lender in writing.*
    - *Check with the Secretary of State for any lien or security filing that may prevent transference of the property.*
    - *Evaluate if it would be in the buyers best interest to assume the loan from the seller or build it into the mortgage.*
  6. How does solar impact a homeowners ability to sell or refinance?
    - *Direct solar ownership is an undeniable value add for the seller as it is a commodity generating machine that will reduce electricity costs for the buyer.*
    - *Leased or Power Purchase Agreement solar can be a substantial liability when there is a UCC1, security interest, mechanics fixture filing, or a lien associated with them.*
  7. How does solar impact appraisal?
    - *Owned solar should be a value add for an appraisal. Leased or PPA solar is not an owned asset and should not impact an appraisal. The ownership status of the solar should definitely be disclosed to an appraiser prior to a property review.*
  8. How can solar impact buyer's ability to qualify for mortgage?
    - *It may impact the debt to income ratio if the buyer has an active financing agreement for solar.*
  9. What is the difference between the solar contractor, capital provider, and asset holder?
    - *The Solar Contractor builds and services the system. The solar contractor is usually paid at the time of service and does not normally carry and ongoing creditor interest with the customer.*
    - *The Capital Provider is the financing institution that will normally have security interest in the property. If this is the homeowner, transference of the property will be much less complicated.*
    - *The Asset Holder is the party that owns the solar system. This a third party when the solar is financed by a Lease or Power Purchase Agreement. The homeowner is the Asset Holder when the solar is financed by a loan or cash purchase.*
  10. Why would a person want a lease or power purchase agreement?
    - *If a person does not have any tax liability to claim the tax credit (currently 36% of the system cost) for a solar system purchase, a Lease or Power Purchase Agreement can use the creditor to pass along some of the tax credit savings to the customer. Common examples of people without tax liability to claim the available*

*solar tax credits would include people on disability, people with lower income over the age of 65, people that are unemployed.*

11. Why do so many solar companies state that there is a not a lien attached to the house?
  - *Most solar companies utilize third party financing and want to assure prospective customers that they will not file a lien on the property as part of the solar sale. The New Mexico Office of the Attorney General requires solar contractors to provide a Generation Disclosure Statement as part of their contracts that openly clarifies their position on lien filings in writing.*
12. Have you ever heard of cloud financing? What is it?
  - *No. I do not use this financing vehicle at MySolar.*
13. What are the steps one should take to obtain the best solar program for them?
  - *Prepare your expected tax liability and financing preference.*
    - *Determine your expected tax liability with your tax professional to evaluate your ability to claim solar tax credits and decide if direct ownership or third-party ownership is best for you.*
    - *The best fit financing selection is just as important as the solar provider selection. MySolar highly recommends direct ownership through cash purchase or lending. MySolar is such an advocate for direct solar ownership, that I coined our name around it. The buyer will not call it “their solar” at the end of the project. They will call it “MySolar”. If lending is desired, credit FICO scores 700 and higher should consider local lenders that offer solar specific loans such as US Eagle Federal Credit Union or Nusenda Federal Credit Union. For credit FICO scores between 600 and 700, there are many large out of state financiers such as GoodLeap, Mosaic, SunLight Financial, Dividend, and Enerbank. The best solar sales providers will have several lending options available to allow them to qualify the best solar loans for their customers. Many solar companies will select one loan company with low credit approval criteria to simplify the sales process. Be aware that the lower the credit score requirements and the lower the offered interest rate by the lender, the higher the hidden origination fee will be. Some fees get as high as 30%*
  - *Evaluating the solar providers merits.*
    - *Pricing: Shopping for solar at its core boils down to how much you spend on electricity generation capacity. Calculating Price Per Watt allows a buyer to place multiple proposals into an easy to understand price that addresses both important pricing topics. To calculate Price Per Watt, simply divide the price of the project before tax credit are applied by the sum total Watts offered by the solar panels (number of panels times the Watts DC per panel).*
    - *Equipment:*
      - *Inverter: There are two common types of inverters in the solar market place. Micro inverters and String inverters. Each offer different benefits. Recently DC coupled battery systems that are supported by microinverter systems are being subject to significant*

*setbacks by new PNM policies. MySolar usually offers the best string inverter, SolarEdge that utilizes power optimizers on each solar panel.*

- *Solar panels: The majority of solar panels manufactured in the last five years are monocrystalline. The underlying electricity generation technology from brand to brand is nearly identical. Many more expensive popular solar panel manufacturers such as Panasonic and LG have discontinued solar panel production. Solar panels rarely require any maintenance or replacement during their commonly included 25 production warranty.*
  - *Provider and warranty coverage:*
    - *Eventually your system is going to require support and maintenance. Large out of state solar companies do not tend to offer the longevity of service that you will find with local providers.*
    - *Solar providers that subcontract their operations work tend to be much less reliable for service and warranty work.*
  - *New Purchase without Usage History?: MySolar offers several products for new homebuyers that do not want to wait six or more months to sample electricity usage before adding solar to their home.*
14. What are some reasons to not purchase solar?
- *If the home is going to be sold in less than two years, it would likely not be worth the time or financial commitment.*
15. Can the buyer assume the old solar loan? How would one find out?
- *Some lenders offer transference of solar loans. Inquiring about the specific loan transference terms with the lender or on the lending agreement is the best way to evaluate this.*

**Thank you,**

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