



FOR SOLAR LESSEES

Options for Exiting Your Solar Lease

Rooftop Solar Power can be a game changer, but your circumstances can change as well.

What is a Solar Lease?

Solar Leases are legal agreements between a Lessor (Investor) and Lessee (Homeowner). Typically, the Investor pays to design, buy and install a solar system on the roof of a home owned by the Homeowner. The Homeowner receives all the power produced by the system, reducing much (or even all) of their monthly electricity bill. In exchange for using the system to produce power, the Homeowner pays monthly lease payments to the Investor, usually through a servicing company.

How are Solar Leases different from solar systems that are owned by the Homeowner?

With Solar Leases, the system is purchased and installed at zero cost to the Homeowner. The system is the property of the Investor, and its production is provided to the Homeowner via the lease agreement.

With owned solar, the Homeowner purchases and installs the system, either paying cash upfront or signing a financing agreement as a Borrower. The system is the property of the Homeowner. The installed cost of a home solar system can be significant, ranging from \$50,000 to more than \$150,000, depending on the size and specs of the system.

What if the equipment on my Solar Lease is not working correctly?

Solar Leases typically obligate the Lessor to keep the system functioning correctly. If you experience outages, please contact the servicing company and alert them about the issue. They may be able to correct the problem remotely - if not, they will send a technician to diagnose and solve the issue.

What if the equipment on my Solar Lease is not producing enough power for my use?

Power demand depends on many factors: weather conditions, appliance usage and how efficient they are, and how residents use their home. When power demand exceeds the system's production capacity, electricity bills will grow. Luckily, there are ways to push demand back down. Homeowners can trim trees that are shading out solar panels, upgrade appliances to more energy efficient ones, and thermally harden walls and windows. Many of these measures will provide you with federal income tax credits: see <https://www.energystar.gov/about/federal-tax-credits> for details.

What if my circumstances have changed and my lease payment is now too expensive?

Contact the servicing company and let them know about your circumstances. They may be able to offer you a payment modification, or find other ways to help you. Stay in touch with them to maximize the chances of keeping the system operational and producing power for you.

I'm selling my home. How can I exit my solar lease?

Since the solar system is installed on your home and integrated with the home's electrical system, it stays in place when you sell your home. Please let the servicing company know about your home sale at least 30 days before it takes place. They will provide you with a payoff quote and other details important for the closing process.

Depending on the Home Buyer's qualifications, your solar lease may be transferred to them. If that does not occur, the system will be paid off as part of the home sale transaction. Either way, your lease obligations end.

I'm staying in my home, but I want out of my solar lease. What are my options?

We know that circumstances can change. The challenge is always that some steps are difficult or impossible to reverse. Investors pay and borrow \$100,000s to buy and install solar systems for lessee use. If a lessee changes their mind, it's not possible to return the (now used) solar panels to the distributor, or to renegotiate the loans, or to ask the installers to give back the money they earned. This is sad but true.

Fortunately, time moves quickly, and homeowners become eligible for an early buyout at five years.

The payoff quote provided seems high to me. Can we negotiate it?

When the investor bought and paid to install the solar system, they planned to recoup their costs over the full term of the lease. By ending the lease earlier, they will lose future lease payments yet still have to cover the system and installation costs. To make an earlier ending possible, the payoff must cover what they've already paid and some of what they are giving up, which can make the payoff quote seem high. All payoff amounts are kept reasonable by applying a 45% discount to the future estimated value of payments.

I've leased the system for five years. How can I exit my solar lease?

You are eligible for the buyout provision in the lease agreement. Please contact the servicing company and request a payoff quote. The quote will reflect the remaining value of the system. If you choose to buyout, your lease obligations end, and you will now own the solar system.

I'm (or my client is) divorcing, filing for bankruptcy, experiencing foreclosure, etc. What about the solar lease?

Since the solar system is installed on the house, it depends on what's happening to the house. New homeowners who want to receive system power may assume the lease, or purchase the system with the home. Please reach out to the servicing company for information specific to your (or your client's) situation.

While believed to be true and correct, the above is not legal advice. It is provided as a service to potential and existing solar lessees, to assist them in considering their options over the term of a solar lease.