

Guide to Selling a Home with Solar Panels

After months (possibly years) of researching benefits and receiving estimates, you decided to outfit your home with solar panels. Maybe you wanted to decrease your energy costs, lessen your carbon footprint, or both.

Now you have decided to sell your home. You may be wondering how your solar panels affect the process. Do you need to do anything differently than the average home seller?

Your first step will be to determine who owns the panels: you, a lender, or a leasing company. You probably already have this information, but it couldn't hurt to review any leases or financing documents before you continue reading.

Benefits of Selling with Solar

Increasing the value of your home and helping it sell up to 20% faster, are two of the top benefits a solar energy system offers to home sellers, according to Solar.com.

A study published through the Office of Energy Efficiency and Renewable Energy suggests that, in 2015, buyers were willing to pay \$15,000 more for homes with solar panel systems than for comparable homes without.

There is no reason to believe those numbers will go down anytime soon, as companies and households nationwide show increased interest in sustainability.

Faster sales and higher offers from prospective buyers—what's not to love?

Well, these benefits only apply to solar panel owners. If you lease your system or have financed panels, you may run into a few snags with mortgage lenders and potential buyers.

Solar Ownership Options

As you researched installing a solar panel system on your home, you probably came across the following options:

Purchasing the panels free and clear.

This is the ideal position to be in as a seller, but isn't always a reasonable option for homeowners, as it requires a large financial investment on day 1.

If you are reading this article as part of your research prior to installing a system, and think you may sell your home in the near future, we would recommend buying your panels if possible.

According to [Fannie Mae](#), you can only include solar panels in your home's appraised value if they are owned outright, or financed as a home fixture, so that they can't be repossessed if the loan is defaulted on. Being able to include panels in an appraisal and sell them as part of the property, simplifies the lending process for potential buyers.

As a solar system owner, you are also eligible for [solar federal tax credits](#). Financed panels usually count for these credits as well, but leases do not.

Financing the panels.

You obtain a loan (usually separate from your home mortgage) which allows you to enjoy the benefits of solar now, while paying off the system over time.

Having financed panels isn't necessarily a huge drawback for sellers, but may require a bit more planning.

Most mortgage lenders will require the solar panels to be paid off and transferred to the new owner upon closing. This is to prevent the property from being devalued if the panels are repossessed by a third-party lender.

You may need to set a higher asking price to compensate for paying off the loan, but since a solar home will sell for a premium anyway, this shouldn't cause too much of a problem.

You have a solar lease or Power Purchase Agreement.

In a solar lease or PPA, the homeowner buys power from a solar company, rather than buying the solar system itself.

With a standard lease, a solar provider charges fixed monthly payments (or sometimes escalating payments over the life of the lease), regardless of the amount of power you receive from the panels. A power purchase agreement, by contrast, bills you a fixed rate per kWh of power produced by the panels.

Some companies will guarantee a certain amount of energy production from your panels and will refund you the difference if the system produces less. The leasing company is also responsible for maintenance on the panels.

A lease or PPA is a great way to transition to clean energy without a large up front investment (many solar lease companies offer installation for \$0 down), however, it is the most complicated solar option to navigate as a seller.

Potential Problems for Solar Sellers

Financed panels

We mentioned earlier that many mortgage lenders will require panels to be paid off and transferred to the new homeowner on closing. There is another option—the buyer may be willing to take over the loan, but this can affect their ability to get a mortgage.

Many mortgage lenders are hesitant to finance a loan when the panels are not owned outright, as mentioned above. Finding a lender might prove difficult for your prospective buyer, preventing the sale from closing on time.

Most buyers will not be interested in taking over the loan and risk being denied by lenders. And even if they are, taking on a large solar loan will increase the buyer's debt-to-income ratio, reducing the size of the mortgage they are able to qualify for.

Solar Lease

In the case of a lease, the potential buyer will either have to take over the contract, or the seller will have to buy it out. Buying out a contract can be expensive, since the typical lease term is 20-25 years. And some solar leases have escalating payments, which can affect your buyer's debt-to-income ratio in addition to making a buyout costly.

Review your lease terms and decide if you would be willing to buy out the contract, or if you are only interested in selling to someone who will assume the lease.

Another downside is that leased panels cannot be included in the listing price for your home, since they are not part of the property. The buyer has to assume the contract in order to receive the solar power benefits from the system.

You and your real estate agent will want to discuss how to advertise the system in the home listing. Buyers may be upset to find that a home is outfitted with a leased system if the listing simply states that the home has solar panels. Setting accurate expectations with your listing will help attract the right buyers.

As a seller, best practices include providing potential buyers with a copy of the lease agreement, payment schedule, and previous energy bills, so that the buyer can evaluate the practicality of the system for their situation.

What You Can Do About It

If you are not willing to buy out your solar panel lease, you might have to wait a little longer for the perfect buyer, but they are out there! While you are waiting, consider gathering information on the transfer process and reviewing the terms of your lease, so that you can provide that information to prospective buyers.

The more streamlined the lease transfer, the less hesitancy you are likely to see from a potential buyer.

What if you have an interested buyer, but they aren't sold on the panels? Some [leasing companies](#) recommend buying out the remainder of the lease and bundling it into the home price. The leasing company can then take the panels down when the contract expires.

Another option is to convince the buyer that the panels are worth the investment, which is where your previous electric bills come into play.

According to a survey done by the [National Association of Realtors](#), 32% of home buyers are concerned with heating and cooling costs, while only 4% are specifically looking for a home with solar panels.

Statistically then, you will have better luck convincing a prospective buyer to take over your solar lease if you can prove substantial energy savings.

Selling with Solar: Benefit or Burden

Whether solar panels will make it harder to sell your home really depends on the ownership status of the panels. But don't fret.

If you have financed panels, look into making the panels a property fixture before selling, or be prepared to pay off the panels before transferring ownership of the property.

If you have leased panels, you may be in a tighter spot, but understanding your lease terms and being upfront with potential buyers will go a long way.

It may take a little longer to find your perfect buyer, but there are plenty of people who will enjoy the energy savings, sustainability, and lack of maintenance that a leased system provides.

When marketing your home, remember that the panels themselves are not that important to most home buyers, but reduced utility costs are, so make sure to emphasize the system's benefits when interacting with buyers.