

Solar Leasing: The Truth Behind the Hype

Solar Leasing Companies are typically nothing more than a financial institution. They are a sales team, with no associated installation team or in-depth knowledge of their solar product. They are an investor, who wants to benefit from your interest in solar energy, by putting themselves in between you and the solar installation company. They want to make solar seem so attractive that you feel compelled to sign the lease. This is nothing more than a standard sales technique, and you need to do your research to determine if leasing is appropriate for you.

Claims the Leasing Companies make:

- **Longer warranties than their competitors.** Although this may be true, the leasing company might not be able to promise a longer warranty, because they are not the company performing the installation.
- **Included Maintenance and Monitoring.** Most systems require little or no maintenance. Maintenance is typically limited to a washing of solar panels, with a hose, in areas of extreme dust. Monitoring of systems should be included in the installation by most creditable installers. Systems using Enphase micro inverters come with free life time monitoring that's easy to use and not hidden in the system cost.
- **Industry Best Installers and Products.** It is in your best interest to make sure your lease contract specifies the installer's name and solar product information including brand and model numbers. Do your own research on all three factors — lease company, solar installer, and product — before signing the contract. If left up to the leasing company, they will typically source the cheapest installer they can find, to increase their profits. The leasing company will most likely include a clause in their contract stating they are not responsible for any installation or warranty related issues. What if the installer goes out of business? Are your panels backed by a reputable company that is unlikely to go out of business too? Can you easily contact the product manufacturer to obtain verification of warranty issues, if the installation company goes out of business?



- **Electric Prices are going to rise substantially over the lease period.** Leasing companies thrive on fears that the cost of electric will rise substantially over a 20 year segment. The fact is, some states will see lower costs due to deregulation, and the leasing companies have no way to back up their claims. Try asking the leasing company to put a clause in your contract that states you will receive a credit for the difference, if the rate of electricity does not rise as high as they predict and if the projected savings do not meet or exceed their estimates.
- **Homeowner Associations can't say no.** Very few states restrict Homeowner Associations abilities to say no. HOAs almost always have the ability to say no for any reason. Make sure you understand your state laws and have received permission from your HOA before signing any lease contracts.
- **Solar panels protect your roof.** This is partially true but when you think about it they don't protect your whole roof. They are installed on a specific area and that area is not your entire roof. The real question is, "What happens when I need a new roof?" A roofer will not just replace the roof around your system so your system will need to come down and then be put back up. This can easily add thousands of dollars to your roof replacement cost. You will also need to make sure the roofing company will honor the shingle warranty after the solar system is reinstalled.
- **Solar Panels will increase the value of your home.** There is no data to substantiate this claim. Most Appraisers or Financial Institutions will not increase the value of your home following the installation of solar panels. Solar may make the home more attractive to a buyer due to lower utility bills, but it may also be harder to sell if the system is considered unattractive or a nuisance to the Buyer.
- **Can I transfer my solar lease to a new homeowner?** If the solar panels do not increase the value of your home, how do you know the new buyer will qualify for financing that will cover more than the home's value? How do you know that the new homeowner will even be willing to take on the lease terms? It would benefit the homeowner more to have a newer system installed since it will probably be a higher yielding and more efficient system. You essentially have a lien against the sale of your home.

What they don't tell you...

The leasing company is simply buying the same system, adding additional fees and finance charges, then reselling the system to you at a higher cost. This may sound like a typical finance deal, so what's the catch? Well the catch comes at the end of the leasing term, when the potential damage has been done and you may have no choice but to spend more money.

When the leasing term ends, the solar company will attempt to get you to buy the system back from them. They will use many tactics to make this sound like a financial win, but remember: you have been paying for the system for years now. The overall cost is always going to be higher than if you purchased the system outright.

Most homeowners can easily obtain financing at cheaper rates, resulting in a faster return on investment. By removing the middle man, you will also be more involved in the process of choosing the right solar product and installer.

What if I choose not to buyout the system?

Many leasing companies are banking on their ability to sell you the system at the end of the term. Solar Leasing has not been around long enough for most companies to understand how they will deal with the removal of systems, when the lessee decides not to buy the system from the leasing company.

The removal of a solar system, especially from a roof, can leave your home's structure susceptible to failure. Holes must be drilled in your substructure and roof joists to attach the solar system. A solar system should never be removed without proper repairs to the modified structures of the home. Without proper repairs, the property is subject to structural failure or water leaks.

Most townships only require permits to install solar systems, so inspections during the removal phase are rare. You need to factor in these additional costs and risks when considering a leased solar system.

What questions do I need to ask the Leasing Company?

- **How long have they been in business and are they a subsidiary of any large financial institutions?**

Ask for this proof in writing and do your homework. Check the Better Business Bureau and search the Internet for any reviews of the company. You can find out a lot about a company through Internet searches.

- **Who owns the Solar Renewable Energy Certificates (SRECs) that are produced by the system?**

The SREC program provides a means for Solar Renewable Energy Certificates (SRECs) to be created for every megawatt-hour of solar electricity created. These credits are then sold to electric generation companies so they can meet Federal requirements for renewable energy production. In some states, these certificates are worth hundreds of dollars and could provide a substantial income to the homeowner. Visit sites like [SRECTrade](#) for more information about SRECs.

- **Who gets the State and/or Federal rebate money?**

State rebates vary widely but the Federal government will give you a tax rebate worth a percentage of the total system cost.

- **Who owns the solar system at the end of the lease term?**

The solar leasing companies will typically own the system throughout the entire life of the agreement. This means they have the capability to remove the system, at any time, if you fail to make a payment.

- **If I want to keep the system, what is the buyout cost?**

Most leasing companies want you to buy out the system at the end of the lease term, but that cost will not be stated in the lease agreement. They want you to buy out the system, as they do not want to incur the cost to remove the system. Homeowners need to make sure their lease terms specifically do not have clauses that will pass the cost to the homeowner if they choose not to keep the system. The overall cost of a leased system and buyout price can be 50% greater than the cost of direct financing obtained by a homeowner.

- **Does the leasing company's contract state that they will repair all modifications to substructures or property at the end of the agreement, as a result of the installation?**

As previously mentioned, the removal of a solar system, especially from a roof, can leave your home's structure susceptible to failure. A solar system should never be removed without proper repairs. We highly recommend hiring a third party to inspect the removal process.

- **What is the cost for early termination of the agreement?**

Make sure you understand the repercussions of terminating the agreement. A lot can happen in one year. How about 10 years? What happens if you lose your job? What happens if you need to move?

Summary

Do your homework and research your ability to finance your own system. If you are thinking about leasing, make sure you are dealing with a reputable company. Consider all the potential risks and pitfalls associated with the agreement. If you lease, commit to staying in your home for the full length of the agreement. Also, do your research on the installer and products they are selling you. Get several quotes from other installation companies, as this will also give you an opportunity to hear why they might use a different product.

Remember, a Solar Installation is not only an investment in the future of our planet but it is also a financial investment for you. Unlike traditional forms of investment where you pay tax on the money you earn, you do not pay tax on the money you save each month by having a solar system.