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SOLAR LEASES AND THEIR IMPACT ON TITLE

Rising utility costs and growing environmental concerns are boosting a commitment to solar energy. In fact, the number of houses with solar panels has increased tenfold in just the past seven years, according to the Solar Energy Industries Association.

Because leasing helps homeowners avoid the upfront costs - typically around \$20,000 - many lease their solar energy equipment through independent solar energy producers.

The process is fairly simple. Approved homeowners sign a contract, usually for a 20-year term, and/or a Unified Commercial Code-1 (UCC-1) financing statement filed by the provider, and documents confirming the provider's interest in the leased equipment are recorded in the county recorder's office.

But what is the impact of solar lease contracts when the property is listed for sale?

1. The recorded documents confirming the existence of a solar lease/contract must be reported in the Preliminary Title Report.
2. The lease/contract must either be bought out on or before closing, or assigned to the buyer who is purchasing the property. In order for that to happen, the new owner must:
 - Be willing to take on the benefits and any remaining costs for the lease, and
 - Be approved by the solar energy producer subject to the same or possibly stricter requirements as the original owner

For several reasons, then, it is helpful to know in advance if a solar power lease is in effect, and what the requirements will be to assign it to the new owner. In some cases, when buyers have balked at assuming such a lease, owners have chosen to save the sale by crediting the buyer with funds to offset remaining costs.

In any case, your title partner should notify you when evidence of a newly discovered solar lease turns up. You can help avoid closing delays by advising your clients to make arrangements for the required transfer or buy-out procedures in a timely manner.

