



Installing solar panels to save on energy costs has become a popular alternative for homeowners. Homeowners may choose to buy the solar panels or select a solar lease for their energy savings. These leases can range from 5 to 20 years typically. Leasing may be a more affordable alternative for homeowners who don't have the funds to pay for the solar panels outright.

When a homeowner enters into an agreement with a solar company to lease solar panels, the company may record an agreement called a UCC financing statement. This creates a lien on the chain of title. The solar company maintains the ownership of the panels throughout the lease. A property owner will often have the ability to "buy out" the remainder of the lease if they choose to own the panels. Some builders place solar panels on all their new builds and an entire community may have solar leases.

Solar Agreements do affect the real estate contract, the chain of title and closing during the sale of a property. They will need to be identified on the real estate contract, the title commitment as a requirement or exception and a process will need to be initiated for the successful transfer or payoff.

In the Colorado real estate contract, section 2 addresses the following options:

- If the solar panels are owned as an inclusion to the sale
- If the solar panels are owned and must be removed
- If the solar panels are leased and must be transferred to the buyer
- If the solar panels have a balance owed and must be paid off by the seller

The title company will note on the title commitment a requirement of the UCC financing statement and recording of a new UCC if the solar panels are being leased and transferred. If the solar panels will not be paid off at closing, title will typically place an exception for the maintenance and any notifications or covenants about the solar panels on the property. Depending on the terms of the agreement, some solar companies may not allow the lease to be assumed and will require the solar panels to be paid off at closing. Each solar company is unique in their policies, turn times and requirements.

How solar panels are handled through a real estate closing will depend on the agreement between the seller and the solar company. The UCC statement is treated like a payoff and will need to be resolved before closing. Some solar companies may require the seller to pay off any remaining balance, which will add a line item to the settlement statement for the remaining balance. Some solar companies will allow the lease to be transferred to the new buyer, which involves releasing the UCC financing statement and recording a new one.

Escrow staff are minimally involved in the lease transfer as buyers and sellers will need to work with the solar company directly. A seller will need to reach out to their solar company to let them know they are selling their home. If the lease is transferrable, then the buyer will need to qualify for that lease. They may have to go through an application similar to a loan application, and that application may affect their ability to qualify for their mortgage financing. Identifying a solar lease on a property, and the buyer's ability to assume it is something that must be addressed immediately at the beginning of the transaction.

Often, solar companies will simply require electronic signatures for the transfer and release of the UCC financing statement and recording of a new financing statement. They may send these documents to be signed and recorded at closing as well. This may add additional fees to the settlement statement depending on the nature of each lease. The buyer may pay recording fees for the new agreement and UCC statement and the seller may pay a release fee to release it. This may be completely handled outside of closing, depending on the solar company and its requirements. In that case, the recording fees are not reflected on the settlement statement.

Complications and delays can occur with closing if there is a lack of information in the contract about the presence of solar panels and the requirements for transfer. It's best if the transfer requirements are obtained by the seller prior to going under contract with a buyer to know the following things:

1. **Are the solar panels owned or leased?**
2. **What is the process for transfer if leased?**
3. **What is the turnaround time for transfer and requirements for the new homeowner to assume that lease?**
4. **Cost associated with the transfer: This is often a charge due by the seller immediately to initiate the transfer process. This is often made by credit card outside of closing.**
5. **Provide clear information to the title company about the solar panels.**

It's best for sellers understand that while solar panels provide a value in energy savings, there will always be either a transfer that will need to be initiated or a payoff at closing if the panels are not owned outright. The sooner the definition of what type and what resolution to clear title, the better!



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