



## Before You Purchase and Finance Solar Panels

### HOW BUYING A SOLAR PANEL SYSTEM WORKS

Buying a solar energy system means you pay the entire cost. Costs vary based on the size of the system and other variables. Depending on regulations in your area, your utility company could pay you for the power that your system returns to the grid. Federal tax credits and rebates are offered, but you must qualify for them. And if you don't pay much, or any, federal taxes, you don't benefit from credits.

You may also have [other options available](#) to save money on utility bills. Some states have incentive programs or rebates that can help pay for renewable energy and energy efficiency upgrades. Some have special programs for low- and moderate-income households. Before you purchase or sign an agreement, you may want to contact your state's [environmental agency](#) or [energy office](#).

- Consider how long you expect to stay in your home. For example, if it takes 15 years to pay for the solar panels, but you hope to move in five years, you may want to explore other options, such as community solar programs. Or, you could consider other home improvements, such as more efficient appliances or weatherization.
- Financing arrangements where you do NOT ultimately own the system are commonly referred to as Power Purchase Agreements. If you are considering this type of financing arrangement, you can find more information here: [Before You Sign a Power Purchase Agreement](#)

### HOW TO SPOT SCAMS AND BAD BUSINESS PRACTICES

- High-pressure sales tactics, exaggerated promises of savings, and claims of “free” products and services are some major red flags.
- Be wary of anyone who says you can use tax credits to reduce the cost of the panels without confirming your eligibility.
- Be wary of statements that energy costs will skyrocket in the future, so you need the solar energy loan now.
- Don't believe anyone who says the federal government pays for your solar power. That's a scam.
- Get it in writing – information related to your transaction and a paper copy of your contract. If you don't get either, that's probably a scam.

### FINANCING YOUR SOLAR PANELS

Typically, homeowners take out loans to pay for the solar panels and installation. You could choose to finance the purchase through a home equity loan, financing through the installer, or a loan from a bank, credit union, or finance company.

- You are not required to use the financing offered by the salesperson. You might get a better deal by getting a loan from your own bank or credit union.
- Shop around with other lenders. That way, you can compare lender fees, which can affect interest rates, loan terms, and loan amounts. This is especially important if you intend to stay in your home only for a short time.
- Find out how long the warranty for the solar panels lasts, and think about whether you will be able to pay off the loan while the panels are still under warranty.
- Find out if your solar system or panels are covered under your homeowner's insurance policy. Find out if going solar impacts your eligibility for your current homeowner's insurance policy.
- Find out if the financing arrangement includes a lien filed against the solar system or panels. These liens, often called UCC-1 liens, can affect whether a prospective buyer will want to purchase your home. The lender might require you to repay or the buyer to take on your solar loan as part of the home purchase.

A solar energy system is a large purchase. The contract to install the system and loans to pay for it can be complex. If you have questions about the terms in your agreement, consult a lawyer if you can.

- You can consider ways to save money on utilities and make energy-efficient improvements on your own. Take this step before you agree to a program from a business or salesperson who makes money from signing you up.
- You might be eligible for year-round help with utility bills through [your local Low Income Home Energy Assistance Program \(LIHEAP\) office](#) or the National Energy Assistance Referral Hotline at (866)-674-6327.
- You can hire an independent, unbiased energy assessor to come to your home and make recommendations based on your situation. [Look up an assessor near you.](#)



## BEFORE YOU BUY SOLAR PANELS, CONSIDER:

- How much are the monthly financing costs? How much am I likely to save on my electric bill? Can I afford these combined bills?
- What type of loan are you taking out? Do you understand the terms of the loan (i.e., interest rate, loan term, monthly payment)?
- Is there a lender fee included in your loan? How much is it, and what is it for?
- Am I really eligible for rebates or tax credits that the salesperson tells me about? Are they already included in my total cost the installer or lender is showing me, and is that realistic?
- Is a UCC or other lien placed on my home or solar energy system? Does my mortgage company let me add the lien?
- How many kilowatt-hours per month would this system produce on average? How does this compare to my current energy usage?
- How can I make sure that I am not buying more solar panels than I need? What is the cost per watt of this solar installation?
- What is my monthly payment? Does it include all costs and fees?
- The right to cancel the transaction lasts for at least three days from the date it is signed. How can I exercise my rights to cancel?
- Can I cancel the contract early? Are there prepayment or early termination fees or other charges?

## GET IT IN WRITING:

- Make sure you receive all documents (contracts, disclosures, etc.) in a form that you can keep.
- Be careful when you sign anything on the seller's computer or tablet. That's what scammers ask you to do when they're hiding the details.

## SPECIAL CAUTION ABOUT RESIDENTIAL PROPERTY ASSESSED CLEAN ENERGY (R-PACE OR PACE) LOANS:

- Some counties and states participate in R-PACE or PACE programs. Through these programs, the loan amount is added to your property taxes, so your tax bill may increase by a lot.
- A property tax lien may be put on your home. You repay the lien by paying an extra amount every time you pay your property tax bill. You must pay your property tax bill — including the extra amount — each time it is due, to avoid default and foreclosure.
- A property tax lien for PACE financing takes priority over your home mortgage. Some mortgage contracts do not allow you to add this type of lien.
- A lien can also affect whether a prospective buyer will want to purchase your home. The lender might require you to repay or the buyer to take on your solar loan as part of the home purchase.

Contractors or home improvement companies that sell solar panels and other energy efficiency improvements sometimes offer PACE financing. Consult with a tax advisor about the impact on your property tax bill and the risk of foreclosure if you cannot pay your tax bill.

## **If you have lost money to a clean energy scam involving fraud, discrimination, or other unfair, deceptive, or abusive practices, federal and state agencies can help.**

- If a business doesn't make good on its promises or cheats you out of your money, the FTC wants to know: [ReportFraud.FTC.gov](https://www.ftc.gov/identity-theft/identity-theft-reporting).
- Having trouble with a financial product or service? [Submit a complaint online](https://www.consumerfinance.gov/complaint/) with the Consumer Financial Protection Bureau (CFPB) or call 1-855-411-CFPB (2372).
- Some states have their own consumer protection offices. Check what resources are available in your state: [usa.gov/state-consumer](https://www.usa.gov/state-consumer). Find your state's utility consumer advocate at [nasuca.org/members](https://www.nasuca.org/members).
- Nonprofit legal services can help you stand up for your rights in cases of fraud, abuse, or deception: [lsc.gov/about-lsc/what-legal-aid/i-need-legal-help](https://www.lsc.gov/about-lsc/what-legal-aid/i-need-legal-help) or [lawhelp.org](https://www.lawhelp.org).

