

## **Lender Requirements for Solar Panels**

Fannie Mae, the largest lender of Home Mortgages has these requirements for homes with Leased Solar Panels. If you are purchasing a home with such a lease, or are refinancing your mortgage since entering a solar panel lease agreement, this may affect you.

Requirements for Properties with Solar Panels that are not Owned by the Borrower:

Solar panels may not be included in the appraised value of the property

The property must maintain access to traditional electric utilities to ensure that there is consistent access to electricity in the event that the solar panels become non-functioning or are removed

The amount of the lease payment must be included in the debt-to-income ratio. This does not apply in the case of a power purchase agreement if the payment goes entirely to pay for the energy. Any portion of the payment that does not go toward the purchase of energy must be included in the debt ratio

The owner of the solar panels must have a general liability insurance policy that covers damage to the mortgaged property caused by faulty installation, malfunction, or other manufacturing defects, whether or not covered by the warranty

The owner of the solar panels must not be named loss payee (or named insured) on the property owner's insurance policy

The borrower's homeowner insurance policy must not exclude coverage for any tort liability the borrower may have under the terms of the contract with the owner of the solar panels (for example, direct damage) and may not exclude coverage for losses to the insured premises by reason of the presence of the solar equipment

If applicable, the solar panel agreement must indicate that: the solar panels are removable without causing damage to the mortgaged property; damage that does occur as a result of the removal of the panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original condition (for example sound and water tight conditions); title exceptions with respect to the solar panels (easement, notice of contract) may be present but may not take interest superior to Fannie Mae's lien position

Title may not reflect any liens related to the ownership or maintenance of the panels that will result to a lien superior to Fannie Mae's first lien position

If you need more information, please give me a call at 650-575-8300