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A global trend toward embracing renewable power has many homeowners looking to go green. **Solar power** is a huge part of that movement, with **system prices falling** and financing options evolving.

“Solar is the most mainstream renewable energy for residential,” said John McDonnell, the founder of **Watthub**, an online listing platform for solar professionals. “You can power your home up to 100 percent if you have enough roof or ground area to install solar.”

Solar won’t work for everyone or every property, he cautions, but where solar works well opportunities are increasing for residents to capitalize on the movement.

One opportunity is called a solar lease, which allows homeowners to lease solar panels from a company for no money down and, in theory, a lower monthly payment than they’d have with the utility company. So, what’s the fine print?

What is a solar lease?

A solar lease is a financing option for residential solar panels where the homeowner leases panels from a solar company. Some companies also offer Power Purchase Agreements, or PPAs.

“In a lease, you pay to rent the solar power system, typically for about 20 percent less than you were paying for electricity,” explained **Freedom Forever** Solar CEO Brett Bouchy. “Power Purchase Agreements (PPAs) work much like solar leases, but instead of renting the system, you agree to pay a set price for the electricity the system produces.”

The contract usually lasts for **15-20 years**. There is often no down payment and maintenance is the responsibility of the solar company. The homeowner does pay a fee to the utility company to stay connected to the grid, though some states also offer **net-metering** in case the panels produce more energy than is needed.

At the end of the contract, the lessee can renew, buy the panels outright (**often for a discounted price**), or have the panels removed.

The benefits of a solar lease

Solar leasing and PPAs allow homeowners to go solar without the upfront costs of installing a system, which can range up to \$30,000.

“These two programs are zero cost to the homeowner for installation, warranty, and monitoring,” said Nevada real estate agent [Blake Guinn](#). “If you go with these programs you would have two electric bills, one with the solar company and one with your current utility. Those two bills combined should be less than what your annual bill is today.”

The solar company usually handles all the paperwork, too, so it’s hassle-free as far as the homeowner is concerned. As states continue to emphasize solar – see [California’s solar panel mandate](#) – leasing could be an affordable option for many residents.

Problems with solar leasing

Solar leasing does have some drawbacks potential lessees should pay attention to.

For one, lessees won’t qualify for tax incentives. The federal government provides a 30 percent tax cut on solar installation costs (though that program is [set to end this year](#), with nothing in the works to replace it). That’s in addition to local incentives buyers could use. With a lease, those benefits stay with the solar company, since it owns the system.

And the included maintenance? It doesn’t always involve top notch service, which could affect how well the system produces power.

“Maintained is a loose word,” McDonnell said, “because there are lots of systems that aren’t getting the maintenance they deserve, but the homeowner still is responsible for the lease payment every month regardless of production.”

Meanwhile, because the homeowner doesn’t own the system, it doesn’t add value to the house.

“One thing of note: Buying adds value to a home – leases and PPAs don’t,” Bouchy said. “If you purchase your solar panel system, it adds value to your home and helps it sell faster.”

Leases can even have a negative effect when it comes time to sell, since the buyers **are required to take over the lease** unless the previous owners pay it off in full. And that's assuming the buyers **qualify to take it over** in the first place.

“There are big issues when it comes to selling a lease/PPA solar program, as the seller expects the new buyer to take over the solar contract,” said Guinn, who has spent much of his career working with residential solar systems. “A realtor or buyer could walk into a horrible contract that could force them to pay 15-30 percent more for electricity due to the solar rates. Third party owned systems are very difficult to buy or sell.”

There are also less make-or-break issues such as appearance and system size. Leasing companies will design the system to fit their specifications, regardless of how many panels homeowners want or **where they want them placed**.

Other ways to go solar

Solar leasing is not the only or most popular setup when it comes to residential solar. Other options include:

- Solar loans
- Cash purchases
- Prepaid leases

Solar loans are the most popular, McDonnell says, as they allow homeowners to affordably finance the system, take advantage of tax credits, and add value to the home.

“We have seen payments average 20 percent savings after adding the net utility bill along with the solar loan payment. The homeowner retains the tax incentives in this situation as well,” he said.

A cash purchase has the highest return on investment but is most financially demanding. Meanwhile, a prepaid lease misses out on tax credits but allows for lower upfront costs.

“The leasing company gives a discount on the total project cost, typically 20 percent, and takes the tax credits. This is a good way for a homeowner to essentially ‘purchase’ the system at a discount and make no further payments,” said McDonnell.

The bottom line on solar leasing

Overall, solar leases present an enticing front with a lot of potential complications lurking in the background.

For homeowners who can't manage the upfront costs of a cash payment, don't qualify for a loan, or can't use the tax credits, it makes solar possible. But some warn that leases are best left as a reserve.

"Owning your system produces the highest savings in the long run. If a loan isn't an option for you, a lease or a PPA may be the best option for you," Bouchy said.

If not carefully set up, a lease can leave customers trapped with a cumbersome system and with a real estate headache when it's time to move on. In Guinn's opinion, if homeowners are working, pay taxes, and have enough cash or good credit, the scales are in favor of buying.

"Owned systems, either cash or financed, are the only way someone should consider solar on their home," he said.