

## ADVISORY REGARDING SOLAR PANELS

This Advisory Regarding Solar Panels (“Solar Advisory”) explains to buyers and sellers what they need to be aware of when a real estate transaction includes the transfer of a solar photovoltaic panel system. A solar panel system is considered a fixture, so it will be included in a property sale unless the parties agree otherwise.

**1. COMPONENTS:** Although the only visible parts of these systems are the panels, a typical system comes with many components, including inverters, charge controllers, batteries, backup generators, solar array disconnects, power meters, power converters, and cables tying all of these components together.

**2. FINANCIAL AGREEMENTS:** A property owner usually works with a third party to install these systems, and they enter into an agreement with each other to document their business relationship. This financial agreement might be structured as a lease, a power purchasing agreement, or a loan.

(a) Lease. If the system is leased, the third party owns it, and the property owner pays a fixed monthly amount to use it. Leases are usually long-term (15–25 years), and often include annual payment increases.

(b) Power Purchasing Agreement. If the system is under a power purchase agreement, the system is owned by a third-party that installed and maintains the system. The property owner can then purchase the power at a predetermined rate. The buyer should research how the predetermined rate, and any escalator clauses, compare to standard utility rates.

(c) Loan. A system that is financed through a loan may need to be paid off at closing unless the buyer is willing and able to assume it.

The third party will often require the buyer to qualify to assume the financial agreement and undergo a transfer/assumption process, which can include fees. Mortgage lenders may request information about the financial agreement to determine how it might impact the property’s value or the buyer’s ability to qualify for the mortgage loan. Certain loan types, such as FHA, VA, or USDA, may have specific requirements or restrictions related to financial agreements, so buyers should consult their lender early in the process. It is important to consider the impact of any financial agreement, including the monthly payment amount, any annual price escalations, end-of-term options (such as renewal or buyout),

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maintenance responsibilities, and insurance requirements, and how much the system reduces the utility bill. Although solar energy can provide savings, the property may still have electric utility charges, depending on usage. Buyers should carefully review the financial agreement, understand their responsibilities, and ensure they are comfortable with the obligations tied to the system. Unsecured loans (not tied to the property) may remain the seller's responsibility after the sale, so buyers should request documentation from sellers proving those loans have been paid off.

**3. SYSTEM DOCUMENTATION:** Sellers should be prepared to provide buyers with copies of all documents related to the system, including system specifications (size in kW, component brands and models, production history), installer contact information, permit and inspection records, owner's manual, and maintenance logs. Buyers should carefully review all documents associated with the system and assess current obligations along with future costs. This includes evaluating whether any warranties (product, performance, or labor) transfer with ownership, and understanding the system's age, performance history, and maintenance records. Reviewing true production versus expected output can help assess the system's benefits and efficiency. Buyers and sellers may wish to hire a qualified solar photovoltaic system inspector to evaluate the system's condition.

**4. INSTALLATION, MAINTENANCE, AND REMOVAL:** Improper installation or poor maintenance of a system can cause damage to the roof. Mounting systems typically require penetrations in the roofing material, which can lead to water intrusion, leaks, or structural issues over time if improperly sealed or installed. Understanding the age and condition of the roof beneath the solar panels is essential, particularly if the system was installed toward the end of the roof's expected lifespan. Buyers should request documentation of the installation method, any roof warranties that may have been voided or maintained, and records of inspections, repairs, or re-roofing performed in connection with the system. Buyers should determine if the system was permitted and inspected, if required by code. A qualified property inspector or roofing contractor with solar experience can help assess the roof's integrity. Buyers should thoroughly review all maintenance records to ensure the system has been properly maintained and issues addressed. Poor maintenance can damage the roof and the integrity of the structure. Buyers should be aware that there may be removal and disposal costs once the system has reached its end of life.

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**5. NET-METERING AND UTILITY TRANSFER:** Net metering is a billing arrangement that allows solar customers to receive credit for excess electricity they generate and send back to the grid. When a solar panel system produces more electricity than the property uses, excess energy is fed into the utility grid, and the property owner earns a credit that can be applied to future energy use. If enrolled in Oregon's net metering program, a seller should ensure that the system meets the program's interconnection standards and be prepared to provide a buyer with net metering enrollment records, interconnection approval and permit documents, as well as any warranties or service agreements. Buyers should verify who the electric utility is and whether the property is enrolled in an eligible net metering program, and request copies of the interconnection agreement, net metering application, and production history. Buyers might consider asking a solar inspector or the utility provider to verify ongoing eligibility and system condition. It is also important to understand how the net metering benefits interact with any financial agreement on the system.

**6. HOMEOWNERS INSURANCE:** Before purchasing a home with solar panels, Buyers should understand how the system may impact homeowner's insurance coverage and premiums. It is important to know if additional coverage is required and to clarify what types of damage are covered, such as weather-related events, fire, or theft, and whether coverage extends to both rooftop and ground-mounted systems. Some insurers may treat leased or third-party-owned systems differently, so it's also important to know who owns the system and how that affects the policy.

**7. ACKNOWLEDGMENT:** The undersigned acknowledge that: (a) they have read and understand this Solar Advisory; (b) they have been provided with a copy for their own files; (c) they are aware of their obligations when buying or selling a property with a solar power panel system.

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