

SOLAR PANEL GUIDELINES



FNMA recently [December 16] released an announcement that finally gives us some clear guidance to use regarding solar panels. The relevant section of the recent Fannie Mae announcement is below.

PROPERTIES WITH SOLAR PANELS

Fannie Mae will purchase or securitize a mortgage loan on a property with solar panels. If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance, and title).

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply.

✓	Requirements for Properties with Solar Panels that are not Owned by the Borrower
	The solar panels may not be included in the appraised value of the property.
	The property must maintain access to traditional electric utilities. For example, properties with leased solar panels must have traditional electrical utilities in addition to the electricity provided by the solar energy, to ensure consistent access to electricity in the event the solar panels become non-functioning or are removed.
	The lease payment must be included in the debt-to-income (DTI) ratio calculation. This requirement 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 the energy must be included in the DTI 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 property 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.

SEE NEXT PAGE...



Connect with Toni for more free resources:



Checklist Provided by:

Toni F. Ryan

Senior Loan Officer • Princeton Capital

Toll Free 800-929-0318

Cell 530-305-7668

toniryan@princetoncap.com

www.ToniRyan.com • NMLS#230507

SOLAR PANEL GUIDELINES



SOLAR PANELS CONTINUED...PAGE 2 OF 2

	<p>If applicable, the lease or a power purchase agreement must indicate that</p> <ul style="list-style-type: none"> the solar panels are removable without causing damage to the mortgaged property; damage that does occur as a result of the removal of the solar 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 watertight conditions that are architecturally consistent with the home); and In the event of foreclosure, either: <ul style="list-style-type: none"> the lender may terminate the lease/agreement and require the third-party owner to remove the equipment; the lender has the right to become the beneficiary of the borrower's lease/agreement with the third party without charge; or the lender has the right, but not the obligation, to enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner. <p>Note: Any lease/agreement in which the lender is a party in connection with a foreclosure (whether as beneficiary or direct party), must also be assignable to a subsequent purchaser of the realty from the lender. In addition, the lender must also have the right to terminate the lease/agreement and require removal of the equipment (for example, if the third party places restrictions on the assignment to a purchaser).</p>
	<p>Title exceptions with respect to the solar panels (for example, easements, notice of contract) may be present on the title provided the interest is not superior to Fannie Mae's first lien position.</p>
	<p>The title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Fannie Mae's first lien position.</p>

CALL ME IF YOU HAVE ANY QUESTIONS!



Connect with Toni for more free resources:



Checklist Provided by:

Toni F. Ryan

Senior Loan Officer • Princeton Capital

Toll Free 800-929-0318

Cell 530-305-7668

toniryan@princetoncap.com

www.ToniRyan.com • NMLS#230507