



Residential Consumer Guide to Financing

July 2025





Introduction

Solar energy use has grown rapidly over the past decade. Costs have dropped, while new ownership and financing models allow more Americans than ever to choose solar. Solar is now available as a power choice in all fifty states, territories and the District of Columbia. Going solar is a significant decision. By understanding the basics of solar energy, your solar options, and the right questions to ask solar professionals, you're well positioned to make the right decisions.

Many households purchase their solar and storage system with some type of financing. Each financing option has different payment schedules, interest rates, eligibility requirements, and other features. Like any major financial decision, it is important to understand your options and needs and shop around for the best deal.

This fact sheet summarizes some of the options to finance the purchase of a solar and storage system and key questions.

Types of Financing

Options to finance residential solar and storage systems have increased in the last decade. Financing can let you reduce the upfront costs and spread payments over time. Some options that you might come across include:

Unsecured Loan: These are personal loans and do not require any collateral. However, these loans may have higher interest rates and require stronger credit scores than other types of loans.

Home Equity Line of Credit: This loan allows you to borrow against the value of your home up to a set amount. What you borrow is secured by your home.

Secured Loan: This type of loan is typically secured by the item being financed. In this case, that is the solar equipment. When being used to finance a solar and storage system, this is often referred to as a "Solar Loan."

Renovation Mortgage: This type of mortgage allows a home buyer or someone refinancing their mortgage to include costs to renovate the home in the mortgage. In this case, the cost of adding a solar and storage system can be included.

On-Bill Financing: In some utility territories, on-bill financing can be an option for solar and storage systems. The lender can be a private lender or a utility. You will repay the loan through a line item on your electricity bill.

Property Assessed Clean Energy ("PACE"): This is a special assessment where the consumer repays the loan when they pay their property tax bill. PACE can be used to finance certain home improvements, like energy efficiency, water conservation, and solar & storage. Only a handful of states have laws that allow residential PACE for solar & storage, and your city or county must also pass an ordinance to authorize PACE.

Understanding the Agreement

Security Interest / Collateral: Loans often have a security interest in some collateral. Basically, it means that the lender can reclaim the collateral if you do not repay the loan. Some loans have a security interest in the solar system while others (e.g., mortgage products) have a security interest in the home.

Security Filings: For secured loans, the lender will typically file a UCC-1 statement which states the name of the lender, the name of the borrower, and the collateral being secured by the financing. In some cases, title companies and other parties may automatically assume a lien is on the home and not the solar equipment. Be sure to have them read the UCC-1 statement carefully.

Annual Percentage Rate (APR): APRs describe the total cost of borrowing, including interest rates, length of the loan, and fees paid by you to the lender. APRs will depend on your credit history, type of loan, loan term, inflation, and other factors.

Seller's Points: These are fees paid by the contractor to the lender in order to reduce the interest rate. This is not considered a finance charge under federal rules and not included when calculating the APR. Some of these fees may be passed on to you. Whether you will benefit from seller's points depends, in part, on when you might move or refinance your mortgage.

Underwriting / Decisions: Lenders use many factors when deciding whether to approve a loan, interest rates, and other terms. Factors that are typically considered include credit score, your income, your debt, the collateral, the purpose of the loan, and amount to be borrowed.

Late fees and failure to pay: Failing to repay a loan has different results depending on the type of loan. For example, some loans allow the lender to reclaim the solar system.

Loan Term: This is the amount of time that you have to repay the loan. Some lenders allow you to pay off the loan over a 20 or 25 year period while other lenders only offer loans for shorter periods of time.

Approved contractors: Some lenders require you to use contractors that meet their specific requirements. In some cases, pre-approved contractors can offer that loan. In other cases, you may need to provide the name of the contractor and other information to the lender.

Repayment Start Date: The date that repayment begins varies. Repayment could begin shortly after you draw on the line of credit. Other loans may start repayment at a later date.

Repayment Schedule: Some loans require a lump sum payment at some point in time. For example, a loan may require you to make a lump sum payment, equivalent to the value of the tax credits, after 18 months in order to maintain the initial monthly payments.

Who will be paid: The loan agreement will describe the amount of the loan that goes directly to you and the amount that goes directly to the contractor.

Other Things to Pay Attention To

Get the best deal: Look into your options, shop around, and compare your options. Many Americans will find the market highly competitive, with multiple lenders competing for your business. Make sure you're comparing apples with apples by closely reading the terms from different lenders. Use this guide and other resources throughout the process.

Tax credits: For systems installed by December 31, 2025, there is a 30 percent federal tax credit available for systems, on the total cost of the solar system. Keep in mind that the federal tax credit only reduces your taxes and is not a rebate. This is especially important if your loan requires a lump sum payment before the end of the loan.

Seller's Points (a.k.a. Dealer's Fees): A contractor may pay a lender some amount to lower a loan's interest rate; however, part of the payment may be included in the contract price. If you hold on to the loan for the entire term, seller's points could lower the total cost. If you think you might move or refinance the loan in the next few years, then seller's points may not be the best option.

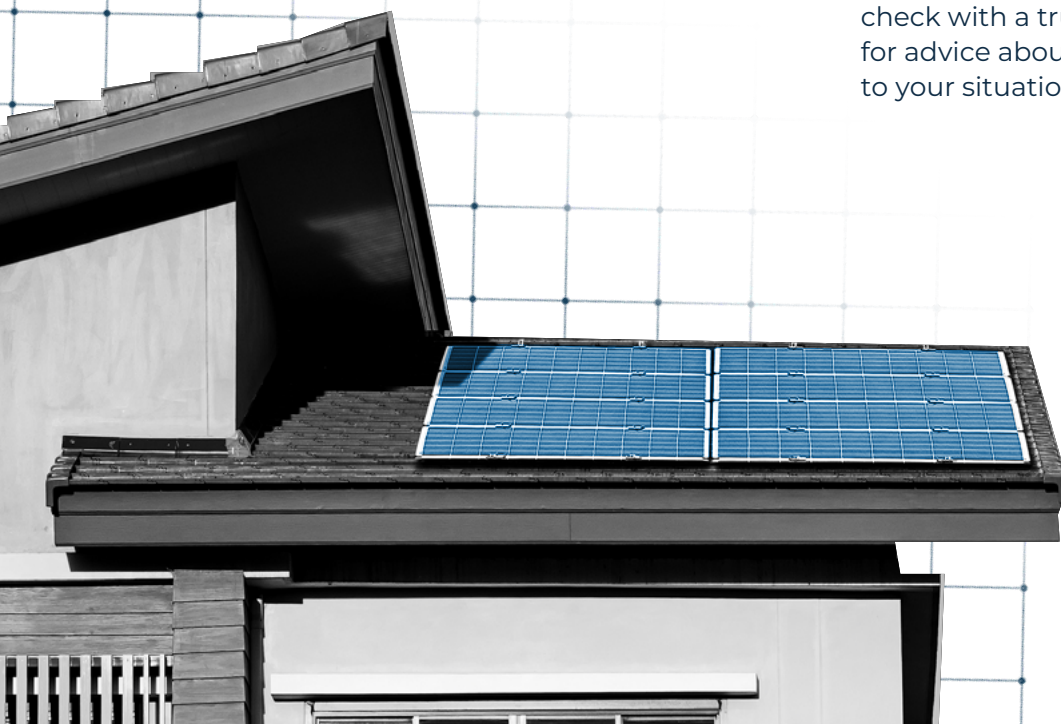
Home Appraisals: Studies show that a home solar & storage system could increase the value of your home. However, there are some important things to keep in mind:

- The system must be owned by you (i.e., no leases and PPAs)
- If you financed the system and the lender can reclaim the equipment if you do not repay the loan, then the solar system may not be included in the appraisal.
- Only a certified, independent appraiser can assign a value to the home and system.

Selling or refinancing your mortgage on a home with solar financing

- PACE – Mortgage lenders may require a PACE assessments to be paid off.
- Loans - When selling your home or refinancing your mortgage, the financing agreement will describe your options and their conditions.

Be Mindful of "Tax Schemes": Unscrupulous businesses may push [dubious tax schemes](#), such as encouraging individuals to purchase business tax credits. Don't fall for it. Always check with a trusted, licensed tax professional for advice about how tax benefits may apply to your situation.



Links

SEIA Consumer Resources:

<https://seia.org/customers-consumer-protection/>

Better Business Bureau (BBB) –

www.bbb.org

Database of State Incentives for Renewable Energy (DSIRE) –

www.dsireusa.org

Interstate Renewable Energy Council – www.irecusa.org

National Renewable Energy Laboratory (NREL) – www.nrel.gov





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