



Cost of leasing solar panels

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Solar leases are a solar financing option that allows homeowners to use solar electricity without having to pay the upfront cost of installation. Instead, a homeowner makes a monthly lease payment to the solar company in exchange for the solar energy. The solar panels reduce your electricity bill, and the lease payment is designed to be lower than your pre-solar electric bill.

But, just because there are no upfront costs doesn't mean a solar lease is the best way to go solar. Let's look closer at how solar leases work and how you can determine whether or not it's the right choice for you.

The biggest disadvantages of solar leases is that homeowners don't get the federal tax credit, long-term savings are lower than purchased solar panels, and it can be difficult to sell a home with leased panels.

Solar leases will include price escalators to reflect the increase in electricity prices. However, there is no way to truly know how much the price of electricity will increase until it happens.

Before you settle on a solar lease, you should get solar quotes from multiple local solar installers. They will help you get the best price on your solar system and give you a better idea about whether or not a solar lease will actually be right for your home.

Cash Buying your solar electric system outright is best. It usually costs \$15,000 to \$20,000 after tax credits and can reduce your electricity bill by 70 to 100 percent, depending on the size and orientation of your roof and local regulations. Most systems pay for themselves in five to seven years.

Home Equity Loan If you need to finance your solar panel purchase, the most cost-effective way to do it is to use a home equity loan or a home equity line of credit. Because your house serves as collateral, these options have low interest rates (currently about 3 to 5 percent). The interest you pay is tax deductible. Equity loans range from 5 to 20 years and usually have fixed interest rates. Equity lines last 10 years and have variable rates (so the interest may increase).

Solar Loan There are unsecured and secured solar loans. With an unsecured loan, your house doesn't act as collateral and the interest isn't tax deductible. Many solar installers work with lenders that offer solar loans, but you'll probably find better rates by directly checking with banks, and credit unions. Watch out for high origination fees. Fannie Mae also offers consumers financing for solar system installations through its HomeStyle Energy Mortgage Program when they buy a new house or refinance.

Your Savings Will Be Modest People who lease their solar systems save far less than those who buy them outright or with a loan (they also miss out on federal tax benefits and any local incentives). Many leases

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contain an escalator clause that can further reduce savings by increasing payments 3 percent per year. So if you're paying 12 cents per kilowatt-hour in year one, with a 3 percent escalator, you'll be paying 18.2 cents in year 15. That means that if the cost of energy doesn't rise as quickly as the contracted lease payments increase, your savings could evaporate.

You Lose Control of Your Roof Leasing companies want to maximize their profit, so there's a chance you could wind up with more panels than you want and that they could be installed in highly visible places--such as facing the street--without any regard to appearance. To avoid that, check the final system design and placement before signing the lease. It could be different from the initial mock-up.

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