

Fannie Mae: If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar lease arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

✓	<b>Requirements for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement</b>
	The lender must obtain and review copies of the lease or power purchase agreement.
	<p>The monthly lease payment must be included in the debt-to-income ratio calculations unless the lease is structured to:</p> <ul style="list-style-type: none"> <li>• Provide delivery of a specific amount of energy at a fixed payment during a given period, and</li> <li>• Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period.</li> </ul> <p>Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.</p>
	The value of the solar panels cannot be included in the appraised value of the property.
	<p>The value of the solar panels must not be included in the LTV ratio calculation, even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority.</p> <p><b>Note:</b> a “precautionary” UCC filing is one that lessors often file to put third parties on notice of their claimed ownership interest in the property described in it. When the only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement, and not the home or underlying land, such a precautionary UCC filing is acceptable (and a minor impediment to title), as long as the loan is underwritten in accordance with this topic.</p>
	The value of the solar panels must not be included in other debt secured by real estate in the CLTV ratio calculation because the documented lease or power purchase agreement status takes priority.
	The property must maintain access to an alternate source of electric power that meets community standards.

	<p>The lease or a power purchase agreement must indicate that:</p> <ul style="list-style-type: none"> <li>• Any damage that occurs as a result of installation, malfunction, manufacturing defect, or 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 or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); and</li> <li>• The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner’s property insurance policy covering the residential structure the panels are attached to; and</li> <li>• In the event of foreclosure, the lender or assignee has the discretion to: <ul style="list-style-type: none"> <li>○ Terminate the lease/agreement and require the third-party owner to remove the equipment;</li> <li>○ Become, without payment of any transfer or similar fee, the beneficiary of the borrower’s lease/agreement with the third party; or</li> <li>○ Enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.</li> </ul> </li> </ul>
	<p>Any exceptions to coverage on the title insurance policy for recorded instruments relating to the solar panels must comply with <a href="#">B7-2-05, Title Exceptions and Impediments</a>. Funding Department to verify compliance.</p>