Fannie Mae

Appraising properties with solar panels

The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:

- borrower-owned panels,
- separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage),
- leasing agreements, or
- power purchase agreements.

The following table summarizes some of the specific underwriting criteria for appraisals that include solar panels.

If the solar panels are…	**Then the appraiser…**
Owned (Cash purchase, consumer debt not collateralized by solar panels or debt paid-off)	• May include the solar panel value based on standard appraisal requirements.
Financed (Panels as Fixture to Real Estate)	• May consider the solar panels in the value of the property (based on standard appraisal requirements), provided that the panels may not be repossessed for default on the financing terms.
Financed (Panels as Personal Property)	• May not provide contributory value of the solar panels towards the appraised value, because the panels are collateral for another debt.
Leased or Covered by a Power Purchase Agreement	• May not include the value of the solar panels in the appraised value of the property.

Lenders are responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that the appraisal appropriately addresses any impact to the property's value. If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless the lender obtains a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must comply with *Energy Efficiency Improvements* in *Selling Guide* B4-1.3-05, Improvements Section of the Appraisal Report.

Appraisers must compare energy-efficient features of the subject property to those of comparable properties in the Sales Comparison Approach adjustment grid. Appraisers may augment the Sales Comparison Approach in evaluating any impact (either positive or negative) to the value of energy efficiency improvements with either the income or cost approach; however, appraisers cannot adjust the value of the property

- on a mechanical dollar-for-dollar basis based on equipment and installation cost, or the discounted present value of expected cost savings of the equipment over the useful life of the equipment; or
- solely based on the cost or income approach. The appraiser must also analyze the market reaction to the energy efficient feature.

Additional information can be found in the *Properties with Solar Panels* section of *Selling Guide* B2-3-04, Special Property Eligibility Considerations.