

POLICY FOR PROPERTIES WITH SOLAR PANELS

When considering properties with solar panels, LHFS / TPO Partners must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. LHFS / TPO Partners must review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels themselves. The property must maintain access to electrical utilities consistent with community standards. To provide consistency in these requirements, LHFS is adopting the following requirements when solar panels are present on the property based on whether the solar panels are leased, financed, or owned:

	Solar Power Purchase Agreement (PPA)	Solar Panel Lease	Solar Panels Financed as Personal Property	Solar Panel Financed as a Fixture to Real Estate	Solar Panels Owned Free and Clear
Description	The Borrower purchases power produced by the solar panels, and the Borrower is not the owner of the solar panels.	The Borrower does not own the solar panels and the Borrower pays monthly lease payments to have access to the solar panels.	The Borrower owns the solar panels, purchased the solar panels with a note/security agreement and is entitled to power produced by the panels.		Borrower owns the solar panels and has no related debt.
Title	UCC-1 Financing Statement or lease agreement associated with the solar panels recorded in the applicable land records and claiming an interest in the solar panels but not the real estate; the Seller does not need to obtain a subordination agreement of the UCC-1 Financing Statement.			UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); it must be subordinated or released.	There must be no UCC-1 Financing Statement or notice recorded against the Mortgage Premises. In the event there is a UCC-1 Financing Statement, it must be released.
Appraisal	The solar panels must not be included in the appraised value of the property. The appraiser must comment on the marketability of the home with solar panels present and identify solar panels and system features.			The solar panels must not be included in the appraised value of the property if the lender may repossess the solar panels for default on the financing terms.	TPO Partner must ensure the appraiser has recognized the existence of the solar panels and considered the solar panels in the appraiser's opinion of the market value of the property.
Debt payment-to-income (DTI) ratio	Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease: <ul style="list-style-type: none"> Provides for delivery of a specific amount of energy for an agreed upon payment during a given period, and Includes a production guarantee under which the Borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required by the lease agreement Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy. 				
Total loan-to-value (TLTV) ratio	Not included in the TLTV ratio			Included in the TLTV ratio	N/A
Obtain a copy of the lease, PPA or note/security agreement	In the event of foreclosure, LHFS may: <ul style="list-style-type: none"> Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing lease agreement or PPA 				N/A
Homeowner's Insurance	The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner's insurance policy covering the property.				N/A