

# FHA/USDA/VA Solar Lease/Power Purchase Agreement Checklist

<b>File Name:</b>	<b>Loan Number:</b>
<b>Property Address:</b>	<b>Solar Lease Company:</b>

**Required Documentation:**

- Complete copy of the solar lease and/or power purchase agreement for review
- Sales contract (if purchase transaction)
- Appraisal
- Title commitment
- Subordination of solar lease if need to prove secondary lien position

## Sales Contract Considerations

Yes	No	
		Leased energy system subject to lease or PPA <b>has been prepaid by the seller</b> and included in the sales contract. <ul style="list-style-type: none"> <li>• If yes, the value of the system agreement must be treated as an inducement to purchase Source =</li> </ul>
		Leased energy system subject to lease or PPA is included in sales contract as being transferred with the property to buyer. <ul style="list-style-type: none"> <li>• If yes, must verify terms of the buyer's lease and confirm effect on title exceptions.</li> <li>• If no, must require confirmation of removal of the energy equipment from the property.</li> </ul>

## Solar Lease/Power Purchase Agreement Considerations

Yes	No	
		Lease/PPA agreements cannot include restrictions that prevent the borrower from conveying the property. The lease and/or PPA:
		<ul style="list-style-type: none"> <li>• Does not include language that could/would cause conveyance of the property to be void, or voidable by a third party;</li> </ul>
		<ul style="list-style-type: none"> <li>• Does not include language that could/would cause conveyance of the property to be the basis of contractual liability of the Borrower (including rights of first refusal, pre-emptive rights or options related to a Borrower's efforts to convey);</li> </ul>
		<ul style="list-style-type: none"> <li>• Does not include language that could/would cause conveyance of the property to terminate all or part of the interest held by the Borrower or be subject to termination;</li> </ul>
		<ul style="list-style-type: none"> <li>• Does not include language that could/would cause conveyance of the property to be subject to the consent of a third party;</li> </ul> <p>Note: Legal restrictions on conveyance of Real Property (i.e., the house) that could require the consent of a third party (e.g., energy provider, system owner, etc.), include but are not limited to, credit approval of a new purchaser before the seller can convey the Real Property, unless such provisions may be terminated at the option of, and with no cost to, the owner.</p>
		<ul style="list-style-type: none"> <li>• Does not include language that could/would cause conveyance of the property to be subject to limits on the amount of sales proceeds a Borrower can retain (e.g., due to a lien, "due on sale" clause, etc.);</li> </ul>
		<ul style="list-style-type: none"> <li>• Does not include language that could/would cause conveyance of the property to be grounds for accelerating the insured Mortgage;</li> </ul>
		<ul style="list-style-type: none"> <li>• Does not include language that could/would cause conveyance of the property to be grounds for increasing the interest rate of the insured Mortgage.</li> </ul>

**If any answers = "no" the property is not eligible for FHA mortgage insurance and therefore is not eligible for FHA financing.**

## DTI/Qualifying Considerations

An obligation for a home energy system need not be included as a debt in the borrower's qualifying ratios.

Excluded is any obligation paid to a utility entity (e.g., electric company), or for a leased energy system (e.g., solar lease), or power purchase agreement (PPA). *Source= [FHA Resource Center FAQ](#)*

## Appraisal Considerations

Yes	No	
		The Appraiser has identified leased energy equipment in the appraisal report.
		The Appraiser has not included the value of leased mechanical systems and components in the Market Value of the subject Property.

		Appraisal confirms the property retains access to an operational 100 percent back-up conventional systems
<b>Title Commitment Considerations</b>		
<b>Yes</b>	<b>No</b>	<b>Under no exception can the solar lease/PPA be in primary/superior lien position.</b>
		Title exceptions do not reflect an impediment that cannot be cleared.
		Solar lease is in subordinate lien position behind the first mortgage