

BANKER & TRADESMAN

Solarize This

Financing Residential Solar for Homeowners

Program Focuses on Solar Outreach



By Tom Wu
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The month of December marks the start of Solarize Massachusetts Round 2, a community solar program designed for targeted outreach towards residential and small business owners. This is the third year that the program is running, and marks a successful campaign to sign up Commonwealth residents for solar. The Solarize MA program begins with the Massachusetts Clean Energy Center (MassCEC) soliciting towns and cities to bid on participation. Once selected, towns and cities will issue separate request for proposals to solar PV installers that will compete for exclusivity in specific locations.

In the previous years, the Solarize program has had various stages of development, and can be seen as a success story that has helped shape the residential solar industry. The program has been able to bring to towns and cities a monumental number of solar installations, and has had a tremendous volume of positive community feedback. The program does have limitations that restrict its client base to those of successful installers that win bids. In the residential solar market, there are two archetypal business models that have been replicated to scale. The first is a solar lease, where homeowners are not required to put down any initial capital, and a leasing company that is partnered with the installer will own and operate the solar system on the homeowner's roof. The homeowner makes monthly payments to the leasing company for the use of the equipment, or for the power that is generated. The second model is the traditional purchase. The solar installer will design, procure, and install a complete turnkey solar system for the homeowner at the market price. Looking at previous years of Solarize MA statistics, towns or cities that have been selected fall within one of the two models depending on the installer. Since the installer has the marketing and solicitation rights to the winning town or city, they are able to sway its residents into one model that greatly favors their competitive arrangements or business model.

The two residential models are not equivalent. The leasing program favors large corporations that are able to micromanage their leasing funds, and pass through tax credits and incentives to their constituents. In almost all

cases, solar rebates and incentives that were designed to help benefit homeowners, are siphoned off to these corporate giants. The biggest downside to the Commonwealth is the loss of job creation and localized benefits. The MassCEC offers rebates that have been paid for by state tax payers, but these benefits are given to leasing companies that are located elsewhere in the nation. Additionally, permanent jobs are not being brought into the state due to outsourcing of support leasing staff. Although the leasing business model seems to heavily favor large corporations with balance sheets, it does satisfy a means. They are able to bring solar to customers that are not able to outright purchase a solar system, and increase solar awareness nationally.

The inability to pay for the upfront costs of solar should not deter residents from considering a whole ownership of their own solar system. There are various methods that local lenders and funds can partake. The Solarize program is a great opportunity for local community banks and mortgage lenders to issue loans that are secured against state and federal incentives. The benefits from the MassCEC and Federal government pays for over half of the project's cost, which means that for the most part, these loans are secure enough that their default risks are almost negligible. The loan payments are almost small enough that they come out to be the equivalent of each month's electricity bill. If the customer has been able to pay their bills on time, they should be able to honor their loan payments.

The biggest hurdle for lenders to get into the residential solar market has been the underwriting costs. A single town or city that participates in the Solarize program usually have 100-300 participants that are eligible for solar. This helps create volume, and allow for a streamlined process to help minimize the costs for lending institutions. Lenders that have existing mortgages in the selected communities, can add on the solar loan as an additional mortgage or refinance, which further helps with the underwriting and transactional costs.

The Commonwealth has always been at the forefront of renewable energy and market creativity. Lenders should look to partner with local installers to help create programs that can be instituted in a grassroots approach. These small solar loans will one day help drive the residential solar market so that the benefits can be balanced for homeowners. After all, these are Massachusetts programs, and should maximize the returns of residents within the Commonwealth.

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