



## THINKING ABOUT SOLAR ENERGY FOR YOUR HOME? WHAT YOU NEED TO KNOW.

**Solar panels can have a significant impact** on real estate transactions in California, particularly during the title and escrow process. Because many residential solar systems are installed through financing arrangements rather than purchased outright, they often create recorded interests or contractual obligations that must be reviewed before a property can be sold or refinanced. Title and escrow professionals routinely check for solar-related liens, UCC filings, leases, or power purchase agreements (PPAs) to determine what must be addressed at closing. Understanding how these systems are documented helps avoid delays and surprises in a transaction.

**When a homeowner purchases a solar system** with cash, the panels are typically treated as a fixture attached to the property, and no ongoing third-party financial interest is recorded. In that case, title is usually unaffected beyond noting the presence of the system in property disclosures. However, when the system is financed, the solar company or lender often records a security interest to protect its investment. This is commonly done through a UCC-1 financing statement recorded at the county level, which alerts title companies and lenders that a creditor has a claim related to the solar equipment.

**Leased solar systems** and power purchase agreements are even more common in California and can create additional title considerations. With a lease or PPA, the solar provider retains

ownership of the equipment and records a notice or memorandum of the agreement in the public records. These recordings can appear on a preliminary title report and must be reviewed to determine transfer requirements. Many agreements require buyer qualification and formal assumption of the contract, while others may need to be prepaid, subordinated, or removed as a condition of closing or new loan approval.

**From a title and escrow perspective**, the key issues are priority and transferability. Mortgage lenders typically require that any solar financing interest be subordinated to the new deed of trust so the lender maintains first lien position. This often involves recording a release so that it comes off title, then recording a new, subordinate financing statement, which can take additional time. Escrow officers also verify payoff amounts when solar loans are being satisfied through closing proceeds and coordinate with the provider for proper release filings.

**Proper handling of solar documentation** is essential to keep a transaction on track. Buyers and sellers benefit from identifying the type of solar arrangement early, gathering contracts and account information, and notifying escrow and title companies at the start of the transaction. With early review and coordination among the parties, most solar-related title issues can be resolved smoothly, helping ensure a clean transfer of ownership and a successful closing.

*This information is provided as a courtesy of Monarch Title Company. Monarch Title Company is not responsible for any damage or loss due to the use of the information contained herein.*



**MONARCH**  
TITLE COMPANY