



Solar Energy Systems & Title

There's plenty of free sunshine and by all reports, the solar energy business is booming. More and more people are installing equipment for the generation of solar energy on their homes and other buildings. Although some owners purchase the equipment outright, many others enter into leases or other arrangements.

These arrangements can affect title. Sometimes, leases of equipment are disclosed by other recorded documents. Financing statements may disclose the presence of equipment encumbered by a security interest. When a qualifying company enters a contract for the sale or use of solar generated energy or the lease of a solar energy generation system for use on a residence, California law requires that a document called a Notice of an Independent Solar Energy Producer Contract be recorded.

Although the law specifies that the recorded Notice does not by itself constitute a title defect, lien, or encumbrance, it may nevertheless disclose facts of concern to title insurers, including leases, possession, and issues attending the installation of personal property on real property. Escrow holders may be asked to facilitate the transfer of interests in installed equipment. Lenders grapple with assuring the seniority of their lien, appraisal issues, and to define the extent of their encumbrance.

There is no one-size-fits-all approach to these situations, and forms and practices have not been standardized or uniformly accepted, but don't worry. Consult with your Escrow Officer if you have any questions on how solar energy systems may affect title on a property.