

24.4.3 Lender's Issues

Decisions about whether to make a loan will depend principally on the borrower's ability and willingness to repay the loan, indicated by past credit history and income. Loans secured by appreciating assets, such as real estate, have the longest terms and lowest interest rates, because the value of the collateral serves as additional protection of the loan. Lenders should ask several key questions in qualifying a loan:

- Is this installation economically advantageous for the borrower? The lender should understand whether the borrower is installing the PV system for economic or for environmental reasons.
- Can the system be easily installed by qualified contractors? Does it meet all of the applicable building codes and safety standards?
- How long will the system perform? Is there a warranty on the system? Is there a guarantee on performance over the life of the system?
- What will be the ongoing or recurring costs of operation, maintenance, repairs, and potential removal of the system?
- What are the energy-cost savings that the borrower will receive from owning the PV system? Are these savings certain enough to count as "income" for loan qualification purposes?
- What is the current market value of the system? How does this change over time? What is the likely residual value of the system at the end of the loan period?
- What are the risks on repayment? Technical? Economic? Others? Are the risks well known and understood?

24.4.4 Borrowers' Experience

A market research report prepared by the Regional Economic Research for the California Energy Commission (see Reference [10]) revealed the following:

- The main concerns singled out by residential consumers ranked system reliability, life, safety, and ongoing costs as more important than the initial cost of the system.
- The majority of residential end users (54%) preferred some form of loan financing over investing their savings – with 35% preferring a home equity loan, 22% a personal loan, and 7% a first mortgage.
- Residential end users were more likely to consider installing a solar system when: roofing the home (60%), remodeling (54%), and purchasing a home (50%) – all times when financing is normally utilized. Only 31% stated that they would be more likely to consider installing a solar system as a "stand-alone" purchase.

Market research by the US National Renewable Energy Laboratory (NREL) indicates that 60% of respondents are willing to pay at least \$25 extra per month for a rooftop PV system, 38% are willing to pay an additional \$50 per month, and 15% are willing to pay \$100 more per month. Regarding financing, 46% prefer long-term loans, while 36% prefer short-term loans (see Reference [11]).