



Solar Loan Financing

There are many different ways homeowners can pay for solar projects. Here are some questions to consider, things to look out for, and other useful tips when considering a solar loan.

? Types of Loans

If you want to own your system, there are lots of options! A few of the most common include:



Personal Loans are available from a bank or credit union to finance a solar project. Approval is often based on your credit score, and these loans are usually unsecured.



Home Equity Line of Credit (“HELOC”) or Home Equity Loans are secured financing options that use your home as collateral for the credit line or loan.



Solar-Specific Loans may be offered by financial technology (“Fintech”) or other companies specializing in solar loans. These companies may partner with and even directly pay your solar installer. **These loans can raise special consumer protection concerns – keep reading for more details.**

Q Loan Details to Consider

Interest Rate and Fees

- The interest rate is your cost for borrowing money, usually a percentage of the principal (the original amount you’re borrowing). Your credit score may affect the interest rate.
- The Annual Percentage Rate (APR) represents the total of the interest rate charges, certain fees, and most closing costs.
- Not all fees are included in the APR and these “hidden fees” can increase the loan principal.

Read more about hidden fees on the next page.

Collateral Requirement

Secured loan: The loan is secured through collateral, such as your house or the solar project.

Unsecured loan: Collateral is not required, but if you default, it can still affect your credit score.



Tends to have a lower interest rate.



Your house or other assets are not at risk.

Payments Increasing in Year 1 - 2

Some loans offer a promotional period of low payments, but require that you partially pay down the loan balance in the first year or two. The financier may assume that you will use an Illinois Shines incentive and/or federal tax credit to make this payment. The Illinois Shines incentive is paid to the Approved Vendor and the amount you receive, if any, depends on your contract with them. If you plan to pay down the principal with the incentive payment and/or a federal tax credit, make sure you understand if you are eligible and the amount you will receive. If you do not pay down the principal, your monthly loan payment may increase significantly.



Things to Look Out For

Hidden Markup Fees

Some solar companies add extra financing fees to the total cost of your solar project without clearly disclosing them. These hidden fees may be built into the loan amount rather than charged separately. Hidden fees may be used to make the interest rate on your loan look artificially low, but you could end up paying more overall because you're taking out a loan for a higher amount than the true cost of the system. Hidden fees can be hard to see in your documents, but shopping around will help you find the solar loan and solar vendor that best suit your needs.

Misleading Claims about the Federal Investment Tax Credit

Some solar sales pitches and marketing materials include misleading statements about the federal investment tax credit (or "solar ITC"). For example, these materials may show a "net cost" for the solar project that subtracts the amount of a federal tax credit (but not everyone can claim this tax credit) or they may imply that you'll receive a rebate.

The federal tax credit reduces the amount you pay in federal taxes, but is not a rebate. If you don't pay federal taxes, you won't receive any benefit, and your actual project cost may be much greater than you originally planned. Do your own research or consult a tax professional.



Tips for Solar Loans

Shop around. Solar loans may be offered by national banks, local banks, credit unions, non-bank financial technology firms ("Fintech"), and specialty financing companies. Some partnerships between solar vendors and financiers may restrict the pricing that can be offered. Make sure to shop around and compare multiple solar company and financing offers!

Ask if there are any prepayment penalties. You may want to pay off your loan principal ahead of schedule, for a planned move or other reason, which can save money on the total interest amount.

Make sure you understand the total cost. When you take out a loan, your total payments over the life of the loan will add up to much more than the amount of the principal (the amount you borrowed).

Carefully review your documents. There may be multiple documents you're required to sign. The paperwork for your loan documents could be presented at the same time as your Disclosure Form and installation contract. It is important to know what each document you are signing is.



Other Solar Financing Options

If you don't want to purchase a solar project outright, you may want to consider a **Lease** or a **Power Purchase Agreement ("PPA")**. Both allow you to have a solar project on your property without owning it. Instead of buying the solar project, you either pay monthly to lease the equipment or pay for the electricity generated by the project. When considering a lease or PPA, please note that the owner of the project will receive the federal tax credit.



With leases and PPAs, maintenance and repairs are usually included and there are often no upfront costs.



If you have concerns about your solar project, financing agreement, or other issues, please visit our online [Complaint Center](#) or call 1-877-708-3456.