



## Solar Energy Scams are Against the Law

### SOLAR ENERGY SCAMS ARE AGAINST THE LAW

The residential solar energy industry has expanded significantly over the past decade, multiplying the number of companies serving consumers. At the same time, federal and state regulators have received an increase in consumer complaints about a small number of unscrupulous solar companies. People complain that they were deceived about costs and savings, misled about loans and tax credits, and pressured by aggressive sales and marketing tactics.

The Treasury Department works with other federal agencies, including the Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC) to spread the word about shutting down scams and bad business practices involving clean energy.

### FILING A COMPLAINT ABOUT A CONSUMER SCAM

If you have experienced a scam, federal and state agencies can help.

### YOU SHOULD FILE A COMPLAINT WITH:

- If a business doesn't make good on its promises or cheats you out of your money, the FTC wants to know: [ReportFraud.FTC.gov](https://www.ftc.gov/ReportFraud).
- Having trouble with a financial product or service? [Submit a complaint online](#) with the Consumer Financial Protection Bureau (CFPB) or call 1-855-411-CFPB (2372).
- Some states have their own consumer protection offices. Check what resources are available in your state: [usa.gov/state-consumer](https://www.usa.gov/state-consumer). Find your state's utility consumer advocate at [nasuca.org/members](https://www.nasuca.org/members).
- Nonprofit legal services can help you stand up for your rights in cases of fraud, abuse, or deception: [lsc.gov/about-lsc/what-legal-aid/i-need-legal-help](https://www.lsc.gov/about-lsc/what-legal-aid/i-need-legal-help) or [lawhelp.org](https://www.lawhelp.org).

### GETTING STARTED WITH SOLAR POWER

To start using solar power for your home, consider your options. You might have choices that include buying or leasing a solar energy system, signing a [power purchase agreement](#), or subscribing to a [community solar energy system](#). Your choice affects how much you spend, up front and over the life of the system. Your choice also determines whether you can take advantage of tax incentives.

### LOOK INTO FEDERAL AND STATE PROGRAMS

Federal and state programs support free or subsidized home improvements for energy efficiency, [weatherization](#), or solar energy. The programs apply to people and homes that qualify. Before you pay a company for solar energy improvements, explore what's available through federal, state, and local agencies.

### GET AN INDEPENDENT ENERGY AUDIT

Whether or not you qualify for federal or state programs, you can set up an independent [energy audit](#) of your home. Professional energy auditors are not connected to salespeople or installers. This means they do not make money from your solar energy project. Instead, they check to make sure that improvements you are thinking about are cost effective. For example, an audit might show that energy-efficient appliances or weatherization improvements are the most cost-effective option for your home – in addition to a solar energy system, or even without one.



## COMPARE YOUR SOLAR ENERGY OPTIONS

### BUY A SYSTEM

**Costs and power usage.** Buying a solar energy system means you pay the entire cost and are responsible for all upkeep. Costs vary based on the size of the system and other variables. Depending on regulations in your area, your utility company could pay you for the power that your system returns to the grid. Multiple options are available for financing your solar energy system. They include home equity loans, financing through the installer, or loans from banks, credit unions, or finance companies.

**Potential property tax lien on your home.** In counties or states that participate in a Property Assessed Clean Energy (PACE) program, contractors or home improvement companies that sell solar panels can offer you PACE financing. PACE financing means a property tax lien may be placed on your home. You repay the lien by paying an extra amount when you pay your property taxes. Default or foreclosure could be the consequences for not paying the entire amount, including the extra PACE amount, each time your property tax bill is due. A property tax lien for PACE financing takes priority over your mortgage. Some mortgage loans prohibit this type of lien.

**Potential tax credits or incentives.** When you buy a system, you might be eligible for federal, state, or local tax credits or other incentives.

Please refer to the guide [Before You Buy Solar Panels](#).

### LEASE A SYSTEM

**Costs and power usage.** When you lease a solar power system, a company installs a system on your house, and you sign a long-term contract that lets you use the system. Under some leases, your monthly payments go up over time. The leasing company is usually responsible for maintaining the system. For the life of the contract, you are entitled to use all the power the system produces. This means you probably don't need to purchase as much power from your utility company. At the end of your lease you will not automatically own the system. You may be able to purchase it from the company at "fair market value."

**No tax credits or incentives to you.** Leasing a solar power system generally means you are not eligible for federal, state, or local tax credits or other incentives. The tax credits and incentives go to the system's owner.

Please refer to the guide [Before You Sign a Solar Lease](#).

### SIGN A POWER PURCHASE AGREEMENT (PPA)

**Costs and power usage.** When you sign a power purchase agreement, a company installs a solar energy system on your house. You sign a long-term contract to buy the power that the system produces. You pay for the power at a price set by the PPA company. Some PPA companies tell you they charge reduced rates because they get tax credits and incentives. You pay for power costs only, without system usage fees. You are not automatically entitled to all the power the system produces. At the end of your PPA you will not own the system. You may be able to purchase it from the company at "fair market value."

**No tax credits or incentives to you.** Signing a power purchase agreement generally means you are not eligible for federal, state, or local tax credits or other incentives. The tax credits and incentives go to the system's owner.

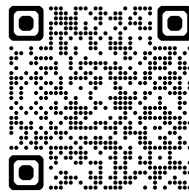
Please refer to the guide [Before You Sign a Power Purchase Agreement](#).

### SIGN A COMMUNITY SOLAR SUBSCRIPTION

**Costs and power usage.** When you subscribe to a community solar energy system, you sign a contract to get power generated by a clean energy system installed somewhere else. You usually pay a monthly subscription fee and get credited an amount on your utility bill.

**No tax credits or incentives to you.** Signing a community solar subscription generally means you are not eligible for federal, state, or local tax credits or other incentives. The tax credits and incentives go to the system's owner.

Please refer to the guide [Before You Sign a Community Solar Subscription](#).



## SOLAR ENERGY SYSTEM SCAMS

Here are some common clean energy scams and tactics to watch out for.

### **SCAMS IN THE SALES PROCESS**

- Sales pitches saying, “This is a government program,” to make you think a solar installation is free or government-endorsed
- Promises of free solar panels, special programs, limited-time offers, and other pressure tactics that urge you to sign up without examining the details
- Warnings that energy costs will skyrocket in the future, so you need solar energy now
- Promises of tax credits even though you owe no taxes or promises that the government will send you a tax rebate check in the mail. Check [IRS.gov/HomeEnergy](https://www.irs.gov/HomeEnergy) to learn about what tax credits might be available to you
- Promotional rates or short periods of relatively low payments that mask the higher bills you could owe for the remaining years

### **SCAMS IN CUSTOMER SERVICE**

- No meaningful effort to find out whether you can really afford the loan or financing you are offered
- No answers to your questions, only pressure to make a decision on the spot
- Not giving you a chance to see the full terms of the contract before signing, which hide the terms and costs of the transactions – and deprive you of your rights to see the full terms of the contracts before signing and to cancel home solicitation sales within three days
- Documents or contracts provided in languages different from the language used in the sales pitch

### **SCAMS IN COSTS AND PAYMENTS**

- Excessive and unnecessary fees, including additional flat fees, late payment fees, termination fees, and sign-up fees
- No information about the cost to remove or transfer solar panels, which could lead you to believe you have future options that might not be available or affordable
- Large upfront deposit, which could be a sign of a “fly-by-night” contractor that takes your deposit and then shuts down before finishing the job, leaving you with expensive payments and products that don’t work

## HELP AVOIDING SCAMS

Before you sign, take the time to shop around for different companies, products, costs, and obligations. Then you have enough information to decide if the solar energy system being offered is right for you.

- Gather several quotes or bids so you can compare:
  - Itemized list of work to be performed and materials to be installed
  - Itemized list of costs, including installation and monthly fees, and any changes or increases in fees over time
  - Minimum power the system produces, and what happens if it doesn’t produce that amount
  - Annual average energy use for your home, and what percentage of your electric bill your system will cover
  - Warranties and repairs included, and how long they last
  - What happens if you need to make repairs after the system is installed
  - For rooftop systems, what happens in case of a power failure and whether there is backup power
- Consult a lawyer if possible, to be sure you understand:
  - How long the contract lasts
  - How much you’ll pay per month (with a lease) or per kilowatt-hour (with a PPA)
  - Whether payments go up during the contract term and if you own your system at the end of the contract period
  - If you have to pay other costs or fees
  - If the contract includes a “performance guaranty” and how the company will pay if the system doesn’t produce the minimum amount of power
  - Who provides maintenance and repair service, and who pays for those services
- Check the contractor’s history with state consumer agencies and state licensing boards
- Make sure you know whether cost savings you’ve seen in advertising are guaranteed

## FOR MORE FACTS BEFORE YOU SIGN

- [Before You Buy Solar Panels](#)
- [Before You Sign a Solar Lease](#)
- [Before You Sign a Power Purchase Agreement](#)
- [Before You Sign a Solar Subscription](#)



## **ADDITIONAL RESOURCES**

- [DOE's Homeowners' Guide to Going Solar](#)
- [DOE's Homeowners' Guide to the Federal Tax Credit for Solar Photovoltaics](#)

## **APPLICABLE LAWS INCLUDE BUT ARE NOT LIMITED TO:**

### **KNOW YOUR RIGHTS: APPLICABLE LAWS**

#### FEDERAL

- [FTC Holder In Due Course Rule](#), 16 CFR Part 433
- [FTC Cooling-off Period for Sales Made at Home or Other Locations](#) (door-to-door sales rule), 16 CFR Part 429
- [Truth in Lending Act](#), 15 U.S.C. §§ 1601 et seq., as amended, and [Regulation Z](#), 12 CFR Part 1026
- [E-Sign](#) (Electronic Signatures in Global and National Commerce Act), 15 USC ch. 96
- [Telemarketing and Consumer Fraud and Abuse Prevention Act](#), 15 U.S.C. §§ 6101-6108 and FTC's related [Telemarketing Sales Rule](#), 16 CFR Part 310
- Section 45 of the [FTC Act](#) (15 USC 45) (prohibits "unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce"). This misconduct is more commonly known as a "UDAP".
- Section 1031 of the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#) (12 USC 5531) (prohibits unfair, deceptive, or abusive acts or practices "in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service")
- [The Equal Credit Opportunity Act](#) (15 U.S.C. §§ 1691-1691f) (prohibits discrimination in any aspect of a credit transaction.)

#### STATES

States have laws or regulations that vendors or installers must comply with. Topics include:

- Business licensing
- Licensing for any nonbank that offers loans or financing
- Electrician licensing (could be required for solar installation)
- Building code and permit requirements
- State versions of the FTC Act's prohibition on unfair or deceptive acts and practices

