HOW A SOLAR PV COMBO LOAN WORKS

TWO PARTS, NO MONEY DOWN

A solar PV combo loan is actually two separate loans that, when combined, provide homeowners with an optimized, no-money-down finance strategy for their solar PV system installation. Here’s how the two parts work:

PART 1 OF 2: Short-Term Balloon Loan for 12 or 18 Months

In 2020, you may be eligible for a federal income tax credit equal to 26% of the cost of your solar PV system installation (NOTE: please consult your tax advisor). The intention of this short-term balloon loan is to float the amount of this 26% tax credit until after your next annual tax filing. As a result, the principal and interest from this short-term loan MUST be repaid in full within 12 or 18 months of your solar PV system installation. Significant penalties apply for late repayment (17.99% interest over your full loan term). As such, this loan is only a good fit for homeowners who are able to use the full 26% tax credit to pay off their loan on time. This short-term loan can be prepaid at any time without penalty and homeowners are encouraged to schedule a one-time, automatic balloon payment on or before their loan maturity date.

PART 2 OF 2: Long-Term Loan for 12 or 15 Years

The remaining 74% of the cost of your solar PV system installation is covered in the form of a long-term loan subject to a fixed interest rate and payable in identical monthly installments of principal and interest for a period of either 12 or 15 years. This long-term loan can be prepaid at any time without penalty, and homeowners are encouraged to schedule automatic monthly payments.

SAMPLE $20,000, 6.0%, 15-YEAR SOLAR PV COMBO LOAN PAYMENT PROFILE

Fixed monthly payments of $125 for 74% long-term loan of $14,800 in year one
One-time, "balloon" payment of $5,321 (principal + interest) for 26% short-term loan of $5,200 by the end of year one
Fixed monthly payments of $125 for 74% long-term loan of $14,800 in years two through fifteen

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