

December 3, 2014

The Honorable Richard Cordray  
Director, Consumer Financial Protection Bureau  
1700 G Street, N.W. Washington, D.C. 20552

Dear Director Cordray:

You have frequently stated that a key mission of the Bureau is to make markets for consumer financial products work for Americans. For that reason, we wish to call your attention to the emergence of third-party leases for rooftop solar systems. It has been said that some of the companies that promote the solar leasing product are not solar companies as much as financial products sellers leveraging the federal Investment Tax Credit and applicable state renewable subsidies to obtain tax equity investment and one day turn a profit. Under increasing pressure from Wall Street to sign up more and more leasing customers before the ITC expires, these companies have been reported to be using potentially deceptive sales tactics - practices that if true deserves investigation.

By way of background, the rooftop solar market has surged in recent years, in part due to regulatory subsidies and in other, more relevant part here, due to the increased use of third-party leasing arrangements in residential rooftop solar installations. While the upfront cost of rooftop solar panels is beyond the financial means of most U.S. households, more and more consumers are being drawn into the market by offers to sign up for zero-money-down leases with large national solar leasing companies. In fact, solar leases now account for 80 to 90 percent of all rooftop solar installations in several leading solar states, and industry analysts predict that a vast majority of rooftop solar installations across the nation will be financed through long-term third-party leases in 2014.<sup>1</sup> The largest solar leasing company, Solar City, has a stated goal of committing one million customers to long term contracts by 2018. As a very new industry with a limited the track record and little regulatory oversight, the solar leasing market may pose a considerable risk to the increasingly large numbers of American consumers that commit to the leasing product (not to mention the American taxpayer, who heavily subsidizes each rooftop solar project).

Of particular concern, these solar leasing companies may, in some cases, employ aggressive marketing strategies that overstate the savings the homeowner will receive, while understating the risks associated with agreeing to a multi-decade lease that is often secured by a second deed of trust to the house – a financial commitment that will likely exceed both the life of the roof and duration of the lessor's home ownership. National solar leasing companies have aggressively marketed the zero-money-down leases to homeowners in select states. In fact, one of the largest solar leasing companies has partnered with a strategic sales company that sold large numbers of subprime mortgages to unsuspecting homeowners in the run up to the subprime mortgage crisis.<sup>2</sup> Class action lawsuits have been filed in California and Louisiana by homeowners alleging deceptive marketing overstating potential savings from zero-money-

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<sup>1</sup> <http://www.greentechmedia.com/articles/read/Market-Share-for-Leasing-Residential-Solar-to-Peak-in-2014>; GTM Research report U.S. Residential Solar Financing, 2014-2018.

<sup>2</sup> <http://seekingalpha.com/article/2481585-solarcitys-sales-conundrum>

down leases.<sup>3</sup> In addition, many reports are surfacing that homeowners who have signed these zero-money-down leases are struggling to sell their homes, indicating that they were not fully aware of the terms of their 20-30 year lease commitments.<sup>4</sup>

Consumer protection and fairness require a clear explanation of possible risks. Fairness also requires accurate factual assumptions when presenting the options to consumers. As it stands, solar consumers are likely not aware of these risks. A key concern is that if these leases are not offered in good faith or with accurate disclosures, the entire solar industry could be tainted.

Therefore, we ask that you respond to the following questions:

1. What options exist to ensure consumers are fully apprised of the costs and benefits of solar leasing arrangements, including potential financial risks? At a minimum there appears to exist a need for a resource center for consumers to weigh risks before making a financial commitment.
2. In the unlikely event of a company or market failure, what recourse exists for the end consumer to be held harmless for the remainder of the lease? After the recent housing crisis it seems only reasonable for consumers to know their recourse should they need one.
3. What level of coordination and information-sharing does the Bureau have with state-level consumer protection offices with other similar type financial services?
4. What options exist to ensure that consumers are fully apprised of the costs and benefits of solar leasing arrangements, including potential financial risks?
5. Has the Consumer Financial Protection Bureau received any complaints pertaining to solar lease contracts? Have any of these complaints involved the use of potentially erroneous information by marketing personnel to increase the attractiveness of solar leases?

Thank you for your attention to the issues raised by this letter; we look forward to your timely response. As always, we ask that this matter be handled in strict accordance with the existing agency rules, regulations, and ethical guidelines. Should you need have any questions please contact Jeff Small at [Jeff.Small@mail.house.gov](mailto:Jeff.Small@mail.house.gov)

Sincerely,

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<sup>3</sup> <http://topclassactions.com/lawsuit-settlements/lawsuit-news/4404-sunrun-deceptive-marketing-class-action-moves-forward/>;  
<http://theadvocate.com/news/neworleans/neworleansnews/8349370-123/suit-filed-against-solar-company>

<sup>4</sup> <http://www.npr.org/2014/07/15/330769382/leased-solar-panels-can-cast-a-shadow-over-a-homes-value> ;  
<http://www.bloomberg.com/news/2014-06-23/rooftop-solar-leases-scaring-buyers-when-homeowners-sell.html>