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Al Gage Report



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Rita's Corner

Second Chance?

Did you know? If you have two years of experience in the same line of work you can qualify for most home loan programs. Even if the experience was 20 years ago; as long as you have been on your current job for at least six months; your income can be used to qualify you for a home loan. This most often applies to women who chose to stay at home to raise their children, and then went back to work. It also

applies to inmates released from prison; it applies to all. While I am not a fan of government; every once in a while they come up with something that actually helps homebuyers.

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Mortgage Advisor

Please leave me a "LOAN"

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Moving With Solar?

The purpose of this article is not to evaluate the advantages or disadvantages of having solar and the renewable, clean energy that it produces. The purpose is to evaluate the financial impact of the various methods of ownership or use of the system with regard to the ramifications should you sell your home. While this should be considered at the time of installation of the solar system, it should certainly not be the only factor considered at that time. **Other factors such as monthly energy savings, protection of the environment, and federal and state tax credits may positively or negatively impact this decision.** We will only be discussing the effect on an existing property with solar panels and their impact on a potential sale.

This discussion arises out of a great number of questions from owners prior to their engagement of solar panels. At the time, we did not have any real world data to determine such things as the ongoing value of the system, the obsolescence of the system or the actual observed impact on potential sales. Essentially, there are two ways to install solar on a home and we will discuss the sale impact of each. While this treatment ignores another method called a Power Provider Agreement the transfer is very similar to a lease.

A Solar Lease: In this scenario, the homeowner leases the system from the solar company, pays a monthly fee, and expects a lower monthly utility bill. The system remains the property of the solar company and generally also retains the tax credits. The lease on these systems is usually 20-25 years. If an owner decides or is forced to sell under these circumstances, the seller has basically 3 options. Transfer the lease to the new buyer, pay down or off the solar lease either through paying the actual cost or a buyout rate, or transferring the system to the new home they are purchasing. In most cases, a solar lease does not result in an actual lien against the home but rather a UCC-1 Fixture Filing which protects the solar company equipment from being encumbered by the homeowner.

Transferring the lease to the new buyer offers some hurdles that may or may not be easy to overcome.

The buyer has to credit qualify for the lease which generally is not a problem since they are already qualifying for a loan in many cases. We have experienced a mixed bag with the underwriters of the potential buyer with regard to whether or not to count the lease payment against the buyer for qualification of the loan. Some underwriters treat it as a straight

forward debt for qualifying purposes while others treat it as being offset by the utility savings as a compensating factor provided the reduction in utility bills can be documented. The real stumbling block in this scenario is the desirability by the new buyer of taking over a lease on equipment which they may or may not perceive as valuable. In recent months, at least two of our personal transactions have canceled because of the buyer rejecting the lease assumption and others have elected not to offer on the properties because of the lease.

Transferring the system to a buyer's new property is also an option. This requires payment of a transfer fee which is usually less than \$1000. Requirements also include that it is the same power company and the new home can structurally accept the system. Underwriters may have more difficulty documenting the utility savings on a new property where the savings are not demonstrable. In the case of an out of state or out of area move, **SOME solar companies offer a removal program that does not require a buyout of the system just the service charge because they are making money off the power generated.**

Buying out the system generally involves paying off the remainder of the lease

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payments or at least a portion thereof. This may also make it more attractive to the potential buyer whereas the downside to the seller is this represents cash out of pocket or at least the sale proceeds.

An Owned Solar System:

An owned system offers some advantages and disadvantages as well. The advantages are that the system is owned by the homeowner either by paying for it outright or obtaining a loan for the system. This method allows the owner to reap all of the benefits possible of the system including power generated, increased value of the home, going green and any federal or state tax credits. Some estimates range from a 10-30% savings in utility costs, a \$15,000 additional value of the home and a

30% tax credit for the system at least through the end of 2016. The savings and valuations estimates come from the studies commissioned by the solar companies and mostly reflect subject properties from California, so I am a bit suspicious of the numbers.

The downside is based on actual observed results obtained here in Arizona. **We have observed values assigned to systems by local appraisers that range from \$0-\$7500, much lower than the \$15-\$20,000 cost of installation.** This item must then be treated much the same as one would treat a pool. A pool never appraises for even 50% of the cost of installation so it must be justified in other ways. Purchasing a solar system must be treated like buying a new car, knowing that it

depreciates significantly as soon as you drive it off the lot. The actual savings on the utilities is difficult to determine because of the wide variety of usage patterns by owners and the tax savings are best left up to your accountant. If the home was purchased with a loan, this may or may not be attached to the home in question. If it is attached, then it must be paid off at the closing but if not then the seller may elect to continue paying the loan while the system remains with the home.

If you need help navigating this or any other complex real estate problem, please call the experts at the Al Gage Team!

FREE Movie Night

From 1999 to 2007 we hosted a free movie night. We would love to offer this little payback to our community again but the only way we can do that is with your help. If each of you forwards the E-newsletter or the subscription website to

your friends and family in the Phoenix, Avondale, Goodyear, Litchfield Park and Buckeye areas, we may reach our goal of 3,500 E-Newsletter subscriptions. When the opt ins reach 3,000 we will fire movie night back up again.



Want a current and local Market Update go to:
www.algage.com/August2016MarketUpdates.html



New Listing!

11006 W. Granada Rd.

An 1965 Model (1965 S.F., 4 BR, 2 BA with a 2.5 car Garage) in great shape in Crystal Gardens.
Listed by Al Gage for \$215,000



Bring the RV!

18601 W. Glenrosa Ave.

An 2414 Model (2414 S.F., 4 BR, 3 BA) with 3 Car Garage, RV parking and many upgrades in Sedella!
Listed by Al Gage for \$195,000



Sold

12237 W. Cambridge

A Cheyenne Model (4 BR, 2 BA, 1642 S.F.) with a pool and many upgrades, in Rancho Santa Fe.
Sold by Al Gage for \$219,000



New Listing!

12845 W. Glenrosa Ave.

An 1678 Model (1678 S.F., 4 BR, 2 BA) in great shape in Wigwam Creek South.
Listed by Al Gage for \$195,000



Price Reduced

5922 N. 180th Dr.

A custom home in Russell Ranch featuring 5 BR, 4 BA, lush landscaping, a pool and over 3500 S.F.
Listed by Al Gage for \$495,000



Back on the Market!

12718 W. Catalina Dr.

A 2552 Model (4 BR, 3 BA) with a downstairs bedroom, pool and built in BBQ in Corte Sierra.
Listed by Al Gage for \$250,000



Sale Pending

14685 W. Catalina Dr.

A 2163 S.F. Model (3BR, 3 BA) with many upgrades and a 3 Car Garage in Palm Valley Phase 3A.
Listed by Al Gage for \$225,000



Sold

12376 W. Tonto St

A 1687 model in Coldwater Springs with 4 Br, 2 Bat plus living room and family room.
Sold by Al Gage for \$168,000



Sold

22407 W. Adams St.

A 4 Bedroom, 3 bath 2267 S. F. home in Sundance in Buckeye.
Sold by Al Gage for \$179,000