

THE PAPER TRAIL

A Monthly Market Brief

Volume 1, Issue 2 | April 2026

Bolted to the Roof: How Solar Loans Became the Industry's Most Expensive Problem

Louis Barna | Managing Partner

The Perfect Storm Nobody Priced In

If you're holding solar loans right now — whether you're a credit union, a bank, or a specialty lender — you already know something is wrong. The calls are coming in. The disputes are stacking up. And the math that made these deals work on origination day doesn't pencil anymore.

Residential solar deployments averaged roughly 28% annual growth over the past decade, according to the Solar Energy Industries Association. That growth attracted a wave of fintech lenders — several of which have since collapsed. Sunlight Financial filed bankruptcy in 2023. Mosaic and Sunnova both filed Chapter 11 in June 2025. As the major originators fell, credit unions and regional lenders absorbed market share at exactly the wrong moment: right as borrower performance was deteriorating, the federal Investment Tax Credit was being eliminated, and an entire plaintiff-side legal industry was materializing around solar contract cancellation.

What's left is a convergence of pressures that's unlike anything we've seen in consumer lending. The collateral is bolted to a house. The installers are gone. The borrowers were sold a product on promises that never materialized. And the lender is the last one standing when the music stops.

A \$63,000 Solar System on a \$80,000 Home

Here's the image that captures this market in a single frame. We service for a credit union that's holding a \$63,000 solar loan on a home with a stated value of \$80,000. Pull up the Google aerial view of that neighborhood and you'll see solar panels on roof after roof. We know every one of them is underwater. Most have either been deactivated or defaulted.

“A judge is going to look at this and ask one question: explain to me why you financed a \$63,000 system on a home worth \$80,000 and put a lien on it.”

That's the fundamental problem. These systems were sold aggressively — door-to-door, by salespeople giving tax advice they had no credentials to give. They promised zero energy bills, income from feeding power back to the grid, and a 30% check from the IRS via the Investment Tax Credit. None of it materialized for most borrowers. National residential electricity rates have risen over 20% since 2022, climbing from roughly 15 cents to over 18 cents per kilowatt-hour. Borrowers blame the panels, even though the increase is driven by natural gas costs and grid modernization — not the solar system itself. The energy resale market never delivered. And the ITC? Many borrowers didn't itemize, didn't have sufficient tax liability, or simply never qualified.

The math is just as bad further up the value chain. A borrower owes \$400,000 on the mortgage, has an offer for \$420,000 — a little equity, maybe — but there's an \$80,000 solar loan stacked on top. The buyer wants no part of it. Appraisers aren't assigning value to the panels. So the homeowner is locked in, upside down, with no exit.

The Dealer Fee: A Ticking Reg Z Violation

The economics of solar origination were built on a dealer fee structure that is now generating serious regulatory exposure. Lenders allowed solar dealers to charge fees of 10% to 30% or more of the system's cash price — and those fees were financed directly into the loan principal without being disclosed as a separate line item to the borrower.

Here's how the borrower experiences it. The installer quotes a system at \$62,000 — panels, batteries, labor. The borrower signs. But when the loan documents come back, the amount financed is \$80,000. That delta — roughly \$18,000 — is the dealer fee. It was never itemized, never explained, and the borrower doesn't discover it until after the agreement is executed. By then, they're already paying interest on the inflated balance.

“They told me the solar system cost \$62,000. But I'm looking at my loan and it's actually \$80,000. Where did the extra \$18,000 come from? That was the dealer fee. Nobody told me.”

The fee structure was a race to the bottom. One lender allowed up to 30%. Competitors matched it to avoid losing volume. Dealers steered borrowers to whichever lender offered the highest fee — the bigger the fee, the bigger the front-end payout. The lender absorbed it into principal, the borrower never saw it, and the interest accrued on the inflated balance. It was a growth-at-all-costs model, and the costs are arriving now.

From a regulatory standpoint, dealer fees that aren't properly disclosed in the APR constitute a TILA violation and a Reg Z violation — and fuel for deceptive trade practices claims at the state level. In March 2024, the Minnesota Attorney General sued four major solar lenders — GoodLeap, Sunlight Financial, Mosaic, and Dividend Solar Finance — alleging hidden fees totaling \$35 million on more than 5,000 solar loans in that state alone. That case has since been consolidated with similar actions in federal court. And plaintiff firms across the country are filing template complaints at industrial scale.

An Asset Class That Doesn't Fit the Playbook

Solar loans don't behave like any other consumer asset in distress. In auto lending, the collateral is mobile — you repossess, liquidate, and move on. In unsecured, you charge off. Solar sits in a category of its own: the collateral is physically affixed to someone's home, secured by UCC filings, and the resolution mechanics vary by state, by court, and by case.

That UCC lien creates problems that follow the borrower — and the lender — through bankruptcy and beyond. When a borrower files a modification to surrender the solar panels in bankruptcy, there's an emerging fight over what 'surrender' actually means. The borrower's attorney argues surrender terminates the UCC and discharges the debt. The lender's position is that surrender means the borrower stops paying, but the lien survives — and when the house eventually sells, the lien gets satisfied from proceeds.

That ambiguity is creating real-world chaos. A borrower completes their bankruptcy plan, goes to sell their home five years later, and the title search turns up a \$60,000 solar lien. The closing can't happen. The attorneys start fighting. If the modification language didn't explicitly state that the lien would be released at discharge, the judge has to interpret what was meant — and there's no settled law on this in most jurisdictions. The question of how surrender language is drafted — and what survives discharge — is one of the most consequential and least understood issues in solar lending today.

“Solar doesn't fit neatly into any existing bucket — not auto, not mortgage, not unsecured. The institutions that recognize this early and build the operational muscle to manage it will be ahead of the curve.”

The decision tree has to be built case by case — by court district, by loan balance, by home value, by equity position, by what the borrower's attorney filed in the plan. An estimated 50% of solar installers from the boom years are no longer in business, so you've lost the one counterparty who had the deepest knowledge of the underlying asset. Even top legal talent struggles here — not for lack of expertise, but because the fact patterns are too granular and too variable. The firms billing \$750 an hour can't get specific enough at a cost that makes sense. This work requires operators who live inside the portfolios and can make real-time decisions on when to push and when to step back.

The Plaintiff Bar Has Arrived

An entire legal sub-industry now exists to cancel solar contracts and extract settlements from lenders. Dedicated solar fraud and contract cancellation practices have proliferated across the country — the sheer number of firms entering this space tells you the demand is real. These aren't ambulance chasers. This is organized, scalable litigation.

The playbook is straightforward. Firms work on contingency and screen for borrowers with seasoning. If you've had your system for three months and made one payment, they pass. But if you've been paying \$490 a month for years, the math works. The firm pursues reimbursement of payments made, plus TILA violations, Holder Rule claims, bureau disputes, and UCC lien challenges. One borrower can generate five or six discrete compliance events for the lender — and AI-generated dispute templates are flooding in faster than internal teams can respond within 30-day FCRA windows.

“All it takes is one determined attorney to drive through a neighborhood where every third house has panels on a \$68,000 home. Knock on a few doors, and you've got your class.”

The class-action risk is real and geographic. Pull up a heat map of solar installations in areas with hyper-growth origination and low home values. The pattern is visible from a satellite

image. These neighborhoods were targeted by door-to-door sales teams, and the borrowers all heard the same pitch: free electricity, \$30,000 from the government, and income from selling power back to the grid. The uniformity of the misrepresentation is what makes it a class.

The Bottom Line

We liken this to the taxi medallion collapse. Credit unions financed million-dollar medallions, ride-sharing arrived, and the collateral went from \$1 million to \$75,000 overnight. Solar isn't that sudden, but the trajectory is the same: an asset class built on assumptions that no longer hold, held by institutions that didn't underwrite for the downside.

The tide is going out. And what's left on the roof isn't worth what's on the books.

The Paper Trail is a monthly market brief from the desk of Tribute Capital Partners. We buy, value, and service distressed consumer debt. These are our observations from the front lines.

For inquiries, deal flow, or to subscribe, contact us at louis@tributecap.com

Data Appendix

Federal Reserve Economic Data (FRED) — as of April 08, 2026

Indicator	Latest	Prior Period	2 Periods Ago
Delinquency & Charge-Offs			
Delinquency Rate on Credit Card Loans (All Banks)	2.94% Oct 2025	2.98% Jul 2025	3.04% Apr 2025
Mortgage Delinquency Rate (Single-Family)	1.78% Oct 2025	1.78% Jul 2025	1.79% Apr 2025
Delinquency Rate on Consumer Loans (All Banks)	2.62% Oct 2025	2.71% Jul 2025	2.76% Apr 2025
Charge-Off Rate on Credit Card Loans	4.11% Oct 2025	4.18% Jul 2025	4.18% Apr 2025
Charge-Off Rate on Other Consumer Loans	1.21% Oct 2025	1.24% Jul 2025	1.20% Apr 2025
Consumer Costs			
Consumer Price Index (All Urban Consumers)	327.5 Feb 2026	326.6 Jan 2026	326.0 Dec 2025
CPI: New Vehicles	179.3 Feb 2026	179.2 Jan 2026	178.9 Dec 2025
CPI: Used Cars and Trucks	180.6 Feb 2026	181.3 Jan 2026	184.7 Dec 2025
CPI: Electricity	298.1 Feb 2026	300.2 Jan 2026	300.6 Dec 2025
CPI: Shelter	422.9 Feb 2026	422.0 Jan 2026	421.0 Dec 2025
CPI: Food	346.6 Feb 2026	345.3 Jan 2026	344.6 Dec 2025
CPI: Gasoline (All Types)	276.8 Feb 2026	274.5 Jan 2026	283.6 Dec 2025
CPI: Medical Care Services	648.9 Feb 2026	644.9 Jan 2026	642.8 Dec 2025
Credit & Lending			
Total Consumer Credit Outstanding	\$5,116.8T Feb 2026	\$5,107.3T Jan 2026	\$5,099.6T Dec 2025
Nonrevolving Consumer Credit Outstanding	\$3,789.2T Feb 2026	\$3,780.4T Jan 2026	\$3,775.3T Dec 2025
Federal Funds Effective Rate	3.64% Mar 2026	3.64% Feb 2026	3.64% Jan 2026
Finance Rate on New Auto Loans (60-Month)	7.52% Feb 2026	7.22% Nov 2025	7.64% Aug 2025
Consumer Debt Service Payments (% of Income)	5.40% Oct 2025	5.37% Jul 2025	5.30% Apr 2025

Indicator	Latest	Prior Period	2 Periods Ago
Household Debt Service Payments (% of Income)	11.32% Oct 2025	11.26% Jul 2025	11.12% Apr 2025
Labor & Income			
Unemployment Rate	4.30% Mar 2026	4.40% Feb 2026	4.30% Jan 2026
Underemployment Rate	8.00% Mar 2026	7.90% Feb 2026	8.10% Jan 2026
Initial Jobless Claims (Weekly)	202,000 Mar 2026	211,000 Mar 2026	205,000 Mar 2026
Personal Saving Rate	4.50% Jan 2026	4.00% Dec 2025	4.00% Nov 2025
Borrower Balance Sheet			
Consumer Credit Held by Bottom 50%	\$2.60T Jul 2025	\$2.57T Apr 2025	\$2.56T Jan 2025
Net Worth Held by Bottom 50%	\$4.25T Jul 2025	\$4.15T Apr 2025	\$3.98T Jan 2025
Auto Lending (Finance Companies Only)			
Motor Vehicle Loans at Finance Companies	\$536.7T Jan 2026	\$539.7T Dec 2025	\$538.4T Nov 2025
Motor Vehicle Loans Owned & Securitized	\$536.7T Jan 2026	\$539.7T Dec 2025	\$538.4T Nov 2025
Motor Vehicle Loans Securitized	\$0.0B Jan 2026	\$0.0B Dec 2025	\$0.0B Nov 2025
Total Vehicle Sales	16.7M Mar 2026	16.1M Feb 2026	15.2M Jan 2026