



## For solar installers, not securing assets could darken future collections

*By Suzie Neff, senior account executive at Lien Solutions*

America is in the midst of a green energy revolution. Every day, more businesses and consumers are opting for clean, efficient solar power as their electricity provider of choice. As a result, solar installation is booming. However, while solar installers (often small, independently owned contractors) may know a lot about putting solar panels on a rooftop, they may not be as knowledgeable as they should about financing their customers' purchases, particularly when it comes to securing those loans.

Solar installations are often financed or paid through leases. That can cause big problems down the road in the event of future borrower difficulties.

Solar installers should know how to properly secure assets and loans (also known as a UCC filing). Failure to secure your assets could quickly turn a bright business forecast into a cloudy one.

## Understanding a Secured Loan

There is often confusion about the difference between a UCC (uniform commercial code) filing and a mechanic's lien. Presidents at smaller solar installation companies are often one of the installers. He or she knows a great deal about how the equipment works and how to best place it on a house or business, but a UCC filing may be a foreign concept.

When a customer defaults on a loan for their equipment, the solar installer president may think he or she can just repossess it, as a mechanic would do. That's not the case, as that is the wrong kind of secured asset. They need a UCC filing, which is not a judgment but instead a notice.

What does a UCC filing do for the solar installer? First, it helps them meet contractual agreements with their company's investors or financiers (be sure to read the fine print!). Secondly, it helps them answer the question, "What do I need to do to collect on my accounts receivable?" Without a UCC filing, there is no certainty or trackability to the lending/leasing process.

## Why Perform a UCC Filing?

Here are three very good reasons to perform a secured UCC filing as a solar installer (or for any business at all, when you get down to it):

1. As mentioned above, it adds certainty and trackability. More to the point, it makes it clear where you stand versus other secured parties in payoff priority. If your assets are not secured via

a proper UCC filing, should the borrower declare bankruptcy, secured creditors (those with UCC filings) come first and everyone else is left to fight for the remaining scraps—if there are any. With a filing in place, you'll have a measure of confidence you'll get something in the event of borrower difficulty, which is more than an unsecured creditor might get.

2. It serves as notice to other secured parties you have financed something for this customer.
3. Finally, it can make your company more attractive to investors or financiers because you have tangible evidence of your receivables instead of having a bunch of IOUs stuffed in a drawer or a "gentleman's agreement" that exists only in a handshake and smile.

Making loans, extending credit and issuing leases without first securing your assets places your company and its future at risk. Performing a proper UCC filing can go a long way to mitigating that risk and to ensuring your organization is at or near the front of the line in the event of future borrower financial difficulty. With your assets properly secured and protected, you'll be able to conduct business with greater confidence and to move towards a brighter future.

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Neff, S. (2016, August 23). For solar installers, not securing assets could darken future collections. Retrieved August 25, 2016, from <http://www.solarpowerworldonline.com/2016/08/solar-installers-not-securing-assets-darken-future-collections/>

