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Last year, 4,492 megawatts a day of solar-panel capacity was installed in U.S. homes, up from 2,864 megawatts a day in 2019. JUSTIN SULLIVAN/ GETTY IMAGES



## Defaults on Solar Panel Loans Hit Debt Investors

BY MATT WIRZ

Surging defaults on loans used to buy residential solar panels are cascading through Wall Street, catching bond investors and private-credit funds in their wake.

Some bonds tied to GoodLeap, a financial-technology firm that lends money for solar installations, have stopped paying interest, people familiar with the matter said. The payments stopped because far more homeowners are defaulting on the loans than initially forecast, they said.

Solar bonds are one niche in the growing ecosystem built by nonbank lenders like GoodLeap, which use artificial intelligence and financial-market expertise to let Americans borrow with a click of the mouse. The “fintechs” connect consumers with debt investors eager to lend to them, but higher interest rates have pushed loan payments up and more borrowers are falling behind.

Last year, 4,492 megawatts a day of solar-panel capacity was installed in U.S. homes, up from 2,864 megawatts a day in 2019, according to the Solar Energy Industries Association. Falling panel prices fueled the surge, but so did easy credit. GoodLeap and competitors like **Sunnova Energy International** and Mosaic funneled loans to homeowners through local dealers who sold panels door-to-door.

Now cracks are starting to spread through the network, showing how the potent combination of private credit and complex bonds can backfire. Several GoodLeap competitors filed for bankruptcy-court protection in June, and some bonds backed by solar loans trade at deep discounts.

“I should never have been approved for a loan to begin

with,” said Donna Nash, an office administrator who bought rooftop panels for her home in Sarasota, Fla., in 2023 with a GoodLeap loan. She was making $45,000 a year at the time, but a salesman for Sun Energy, a dealer, told her that he could get her a loan for the purchase, which would cut her power bill and make her eligible for a big tax credit, she said.

The first lender the salesman approached rejected Nash, but GoodLeap approved her for a $48,000 loan with a $150 monthly payment that would step up to $210 if she didn't use the tax credit to pay down her balance. After installation, she learned that she still needed to pay Florida Power & Light $30 a month and that she made too little income to claim most of the tax credit.

She filed for bankruptcy protection in July 2024 but initially kept paying off the loan. "I struggled with it. 'Do I pay? Do I not pay?'" Nash said. Two months later she stopped paying GoodLeap. "If they come and take the panels I'm fine with that. I feel like I can finally breathe again."

GoodLeap doesn't keep any of the loans it makes, acting instead as a middleman that profits off fees charged for making and servicing the loans. The company is profitable and has pivoted to lending for home improvements such as heat pumps and energy- efficient windows, a GoodLeap spokesman said. The strategy helped GoodLeap avoid bankruptcy, unlike competitors that remained focused on solar. Most GoodLeap solar bonds still pay interest and are valued at 90 cents or more.

The firm finances the loans with borrowed cash, then quickly repays its debts by selling the loans to banks and private-credit firms such as **Blackstone.** Many buyers of the loans—though not Blackstone— paid for them with money raised by bundling them together into "assetbacked securities," or ABS. Those are bonds guaranteed by the future payments the homeowners make on the loans. That strategy boosts returns if homeowners pay on time and worsens losses if they don't.

The financing machine kicked into high gear when interest rates fell during the pandemic, and GoodLeap attracted tech investors such as Michael Dell, who valued its business at $12 billion. Banks such as Goldman Sachs, **Citi-**

**--group** and Credit Suisse sold $5.7 billion of GoodLeap solar bonds to investors, according to ABS data provider Finsight.

Credit-rating companies Fitch Ratings and KBRA gave most of the bonds investmentgrade ratings based on analysis of similar deals backed by other consumer debt. When interest rates jumped in 2022, so did the cost of the solar loans.

Goldman sold $2.25 million of bonds backed by GoodLeap loans to an investment firm called the Catholic Responsible Investment Funds for nearly 100 cents on the dollar in 2022, according to analysis by The Wall Street Journal of data from Empirasign Strategies. Cumulative losses on the bonds rose to 3.65% in 2024, then increased this year to 6.3%, one of the people familiar with the matter said.

Traders recently quoted the bonds at 42 cents, according to Empirasign. A spokeswoman for Catholic Responsible Investment declined to comment.

"It was a brand new product… and people made good faith estimations, I suppose, of what default curves would look like, and they happened to be worse," said GoodLeap Chief Financial Officer John Shrewsberry. The firm is engaging with bondholders and trying to maximize their returns, he said.

Like other asset-backed securities, solar bonds are split into levels, or tranches, made up of pools of thousands of loans. Investors in the highest tranches get priority on payments, and if defaults climb above preset thresholds, interest payments to the junior tranches stop.

Several bonds were close to breaching their thresholds earlier this year, but GoodLeap repurchased defaulted loans from the pools, preventing their triggers. By June, four bonds had defaults in excess of their thresholds, including the one owned by Catholic Responsible Investment. With no further buybacks, the interest payments halted.

"It doesn't help us to have securitizations that fail to live up to the risk expectations [set] when they were created," Shrewsberry said. "We're going to do everything we can."

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