

Protecting Wisconsin Consumers for 75 Years

Be careful with timeshare memberships and resale companies

Planning your next vacation? Perhaps timesharing—the use of a vacation home or campground for a limited, pre-planned time—is on your list of options. Timesharing may be a popular way to take a vacation, but problems can occur.

Timeshare sellers offer gifts to get you to listen to a sales presentation. Many giveaways are of little or no value. Free airline tickets may be tied to the purchase of expensive hotel accommodations. Other vacation "awards" are often of questionable value.

Timeshares can cost as much as \$15,000, based on location and amenities, season, and length and type of ownership. Annual maintenance fees of up to \$500 may also apply. In addition, buyers may be responsible for major repairs.

What some consumers realize too late is that renting may:

- Be a lot cheaper,
- Allow more flexibility and variety in vacations,
- Prevent being locked into yearly maintenance fees until death or bankruptcy.

Unhappy timeshare owners cannot simply quit

Some resorts refuse to "take back" unwanted memberships. This is because the income generated by

annual maintenance fees may be more valuable than the member's title to real estate. Some Wisconsin timeshare/ campground members state they have been unable to even give away their membership, much less being able to find a buyer.

Timeshare owners who discontinue to use the resort facilities must continue to pay their annual maintenance fees and any special assessments. If the member refuses to pay annual dues, the condominium association may sue and recover back dues, interest, and attorney fees. Some members say they feel trapped for life.

Never consider the purchase of a timeshare as an investment

The Federal Trade Commission found only 3.3 percent of owners reported reselling their timeshares during the last 20 years. You may face competition from the original seller. Or local real estate agents may not want to include the timeshare unit in their listings.

Some resorts have a resale office to try to assist the owners of unwanted timeshares. In addition, some resorts will allow an unhappy timeshare owner to give back their interest in the resort, but rarely will a resort guarantee that they will buy it back.

Be wary of offers from timeshare resale companies

Some desperate timeshare owners

report paying resale companies \$500 to list a timeshare, but promised buyers never materialized. These consumers report the loss not only of the original purchase price of the timeshare, but also the money paid to timeshare resale companies.

Purchasing tips

Practical Factors. Consider whether you'll be able to use a timeshare facility year after year. Are your vacation plans sometimes subject to last minute changes, or do they vary in length and season from year to year? Does the property have flexible use plans? Are you—and will you be—in good enough physical and financial health to travel to your timeshare?

Total Costs. The total cost of your timeshare includes mortgage payments and expenses, such as travel costs, annual maintenance fees and taxes, closing costs, broker commissions, and finance charges. Annual maintenance fees can range from \$300 to \$500. Since these fees can rise at rates that equal or exceed inflation, it's important to ask if there's a fee cap for your plan. Keep in mind that these fees must be paid whether or not you use the unit. **To help evaluate the purchase, compare your total timeshare costs with rental costs for similar accommodations and amenities for the same time and in the same location.**

Document Review. Don't act on impulse or under pressure. Take the documents home to review. Ask a professional or someone familiar with timesharing to review the paperwork before you buy. If the seller will not let you take the documents, perhaps this isn't the deal for you. A good offer today usually will be a good offer tomorrow. Legitimate businesses don't expect you to make snap decisions. Find out if the contract provides a "cooling-off" period during which you can cancel and get a refund. If not, ask to include this clause. Most states where timeshares are located require a cooling-off period. Wisconsin has a 5-day cooling off period. If there is no cooling-off period, be sure you understand all aspects of the purchase and carefully review all materials before you sign.

Oral Promises. Make certain all promises made by the salesperson are written into the contract.

Exchange Programs that allow you to arrange trades with other resort units in different locations for an additional fee usually cannot be guaranteed. There also may be some limits on exchange opportunities. For example, you may need to make your request far in advance. Or, even at an additional cost, you may not be able to "trade up" to a better unit at peak time in an exotic location. When you trade, expect a unit of approximately the same value as your own.

Reputation Research. Your resort will be a good place to vacation only if it is run properly. Research the track record of the seller, developer, and management company before you buy. Ask for a copy of the current maintenance budget. Learn what will be done to manage and repair the property, replace furnishings as needed, and provide promised services. Will these

arrangements be adequate? Will they extend over a long period of time, or just the near future? Visit the facilities and talk to current owners about their experiences. Local real estate agents, Better Business Bureaus, and consumer protection offices also are good sources of information.

Unfinished Facilities. Purchasing an undeveloped property is extremely risky. But if you decide to do so, commit money to an escrow account. This protects your financial investment if the developer defaults. Also get a written commitment from the seller that the facilities will be finished as promised.

Default Protection. Learn your rights if the builder or management company has financial problems or defaults. Check to see if your contract includes two clauses concerning "non-disturbance" and "non-performance." A *non-disturbance provision* should ensure that you'll continue to have use of your unit in the event of default and subsequent third party claims against the developer or management firm. A *non-performance protection clause* should allow you to keep your ownership rights, even if a third party is required to buy out your contract. Contact an attorney who can provide you with more information about these provisions.

Foreign Properties. Be especially wary of offers to purchase timeshares or vacation club memberships in foreign countries. If you sign a contract outside the United States for a timeshare located in another country, U.S. federal or state contract property laws generally will not protect you.

State law protects consumers

In Wisconsin, a state law prohibits deceptive advertising and sales

practices in the promotion and sale of timeshares, including:

- Misrepresenting the investment or resale value of timeshares.
- Using phony discounts to induce customers to sign contracts on their first visit.
- Failing to clearly disclose in printed advertising and mail solicitations the identity of the seller and that the purpose is to sell timeshares.

Additional protections include:

- Free gift solicitations must disclose all conditions.
- Sellers must provide buyers with a disclosure statement, purchase contracts, and a right-to-cancel notice within five business days.
- Fifty percent of a consumer's payments toward an incomplete project must be escrowed or otherwise protected until the project is completed.

Timeshare and campground membership salespersons must be licensed by the state Department of Regulation and Licensing.

If you're interested in a timeshare located in another part of the country, find out what laws apply there. For more information or to file a complaint, contact the Bureau of Consumer Protection at:

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