



Timeshares and Resale Companies

Planning your next vacation? Perhaps timesharing – the use of a vacation home or campground for a limited, preplanned 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.

Make certain all promises are written into the contract.

Timeshares can cost \$23,000, on average, based on location, amenities, season, length of stay, and type of ownership. Annual maintenance fees averaging \$1,000 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 you from 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 give away their membership, much less being able to find a buyer.

Timeshare owners who stop using 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 a timeshare purchase as an investment

The Federal Trade Commission cited a survey that 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 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:

Consider whether you will be able to use the timeshare 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 average \$1,000. Since these fees can rise at rates that equal or exceed inflation, it is important to ask if there is a fee cap for your plan. Keep in mind 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

Do not 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 is not the deal for you. A good offer today usually will be a good offer tomorrow. Legitimate businesses do not 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 law, Wis. Stat. § 707.47, 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

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 the 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. 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. Plus, check to see if your contract includes two clauses concerning "non-disturbance" and "non-performance."

A non-disturbance provision clause should ensure you will 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 rights of ownership, 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, Wis. Stat. § 707.55, 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 require:

- 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 under Wis. Stat. § 452.03. Information is available at:

**Department of Safety and
Professional Services**

Toll free: (877) 617-1565

dsps.wi.gov

If you are interested in a timeshare located in another state, find out what laws exist about timeshare transactions in that state.

For more information or to file a complaint, visit our website or contact:

Wisconsin Department of Agriculture,
Trade and Consumer Protection
Bureau of Consumer Protection
2811 Agriculture Drive, PO Box 8911
Madison, WI 53718-8911

Email: DATCPHotline@wi.gov

Website: datcp.wi.gov

PHONE: (800) 422-7128 TTY: (608) 224-5058

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