

FEDERAL TRADE COMMISSION

This page contains the full-text reproduction of FTC's
"Timeshare Tips"
Timeshare Tips

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Planning your next vacation? Perhaps timesharing — the use of a vacation home for a limited, pre-planned time — is on your list of options. Timesharing is a popular way to take a vacation, but problems can occur. Consider the risks and the benefits before you sign a contract.

Many sellers of timeshares offer gifts to get you to listen to a sales presentation. If you're only going to the presentation to get the gift, be aware that many giveaways include gems of little or no value; "gold" ingots, with minimal gold content and worth no more than a few dollars; or vacation "awards" or "certificates," which don't cover costs for travel and food.

There are two basic types of timesharing plans. In a deeded plan, you buy an ownership interest in a piece of real estate. In a non-deeded plan, you buy a lease, license, or club membership that lets you use the property for a specific amount of time each year for a specific number of years. With both types, the cost of your unit is related to the season and the length of time you want to buy. For example, a winter week in a warm climate is worth more than a summer week in the same location.

The purchase will cost thousands of dollars. Before you sign any papers or pay any fees, understand what you're buying. Consider these points when you're making your decision.

Practical Factors. One reason people buy timeshares is the convenience of pre-arranged vacation facilities. 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? If you're evaluating a timeshare plan with units in several locations, ask whether the club has enough units to satisfy demand.

Investment Potential. Never consider the purchase of a timeshare as an investment. Timeshare resales usually are difficult. You may face competition from the original seller. Or, local real estate agents may not want to include the timeshare unit in their listings. Once all the timeshares have been sold, ask if the developer will be setting up a resales office on site.

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 won't 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. 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. These programs allow you to arrange trades with other resort units in different locations for an additional fee. However, these trades 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 is one way to protect 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, you generally will not be protected by U.S. federal or state contract property laws.

For More Information

Usually, timesharing is regulated through the Real Estate Commission in the state where the timeshare property is located.

You can file a complaint with the FTC by contacting the Consumer Response Center by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or through the Internet, using the online complaint form. Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.