

Timeshares: a Break from Reality?

Imagine owning your own condominium on a sandy white beach with blue seas stretching to the horizon. Who wouldn't want to own a vacation home on a tropical island even for only a little bit of time? As idyllic as this may seem, Marylanders should be careful when considering purchasing timeshares or vacation interval plans. Only by doing plenty of homework can a potential owner be sure of making a purchase that best meets his or her needs.

Timeshares and vacation interval plans are the two most common ownership options. Both of these vacation ownership options require consumers to pay an initial purchase price and maintenance fees. These vacation ownership plans should not be thought of as sound real estate investments. Unfortunately, resale values are usually lower than the initial purchase price because there are so many vacation ownership plan opportunities on the market at all times.

Timeshares come in two basic plans. The first is a **deeded plan** where consumers can purchase ownership for a specific week of each year, and are allowed to do as they choose with their ownership portion. Deeded timeshares require you to pay a monthly mortgage, unless initially paid in full. Over and above the mortgage, owners must consider paying additional fees such as the annual maintenance fee, property taxes and exchange company membership fees.

The second is a **right to use plan or the vacation interval plan**. With this option, consumers are entitled to use the property for "intervals." Intervals are determined by the developer, and are usually set as weeks or a certain number of points. Under this plan, consumers have the right to use their time share for a set number of years. In

addition to the price, consumers should expect to pay an annual maintenance fee. Within the right to use plan, there are several conditions that affect the outcome of your contract:

- **Fixed or Floating?** Fixed ownership is the most typical type of timeshare, ensuring you will have the unit for a specific week of the year. Floating ownership requires consumers to make reservations in advance for a specific season.
- **Points and Vacation Clubs.** You are given points as "currency," and may use the points to make travel arrangements within the resort group. The number of points you need for a stay is determined by factors such as destination popularity; length of stay; season; and unit size. Your developer may offer a points conversion program, where you may pay a fee to convert your interval ownership into points and/or to cash in the points for a vacation.
- **Biennial Plans.** Biennial owners have the right to use a timeshare interval every other year.
- **Fractional Ownership.** You may purchase a timeshare for more than a week, but less than what is required for full ownership status.
- **Lock-off.** Lock-off time share units have multiple living and sleeping quarters so that the owner may rent out or exchange a part or all of the space. One large unit can be "locked-off" or split to be used as two or more units.

Before purchasing a timeshare, consider the costs. Include mortgage payments, travel costs, annually increasing maintenance fees, closing costs, broker commissions, finance charges and other fees and taxes. Inquire if there is a cap for the maintenance fee, as it



may equal or exceed the inflation rate. You should also be aware of possible special assessments to address needs of the timeshare association.

Members usually have the option of participating in an exchange system, which allows them to trade their timeshare for another week or location. It is imperative to research member satisfaction with the exchange system before purchasing a timeshare. Some Marylanders have complained that they were promised great destinations in exchange for their timeshares, only to discover that the promised location was unavailable or the unit they traded for was less than ideal. Salespeople also have falsely promised purchasers that they would be able to trade an out-of-season week for a prime week at a prime location. Don't rely on the salesperson's promises about your ability to exchange the week.

In addition, visit the timeshare resort for a first-hand experience. Use the time there to ask questions of other timeshare owners. You may check for complaints about a development company with the Attorney General's Office in that state and the local Better Business Bureau.

Do not give into pressure to sign paperwork immediately, **regardless** of purchase incentives. Make sure all promises are included in the written contract, and evaluate the paperwork on your own at a later time. If possible, consult someone who is experienced in real estate contracts to review the paperwork.

Ask the management company about a "cooling off period" during which you may cancel your contract and receive a full refund of your deposit without any penalties. Your right to cancel may be based on legislation in the state where the timeshare is located, or included in your contract. If you decide to cancel, contact the company in writing and send your cancellation by certified mail with a return receipt requested. Keep a copy of everything for your records.

Be forewarned: selling a timeshare can be difficult. Timeshares should not be considered investments because most do not appreciate in value. If you use a reseller or broker to manage the timeshare, include all fees, commissions, and other costs in the contract. In addition, the contract should include a set length of time to

sell the timeshare, a clear understanding of who is responsible for documenting and closing the sale, and whether you may rent out the timeshare while it is on the market. Ask the broker how he or she plans to market your timeshare and how often you will be receiving progress reports.

For more information on timeshares, contact the Real Estate Commission in the state where the timeshare is located. If you believe you have been a victim of a scam, contact the Federal Trade Commission at www.ftc.gov or 1-877-FTC-HELP. In addition, you should contact the attorney general's office of the state where the property is located.

Attorney General's Consumer Offices

Consumer Protection Division
200 St. Paul Place, 16th Fl.
Baltimore, MD 21202-2021

- General Consumer Complaints: 410-528-8662
Toll-free: 1-888-743-0023
TDD: 410-576-6372
9 a.m. to 3 p.m. Monday-Friday
- Medical Billing Complaints: 410-528-1840
9 a.m. to 4:30 p.m. Monday-Friday
To appeal health plan claims decisions:
Toll-free within Maryland 1-877-261-8807

Branch Offices

- Cumberland
301-722-2000
9 a.m. to 12:00 p.m. 3rd Tuesdays
- Frederick
301-600-1071
9 a.m. to 1:00 p.m. 2nd and 4th Thursdays
- Hagerstown
301-791-4780
8:30 a.m. to 4:30 p.m. Monday-Friday
- Salisbury
410-543-6620
8:30 a.m. to 4:30 p.m. Monday-Friday
- Southern Maryland (Hughesville)
301-274-4620
Toll-free 1-866-366-8343
9:30 a.m. to 2:30 p.m. Tuesdays

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