



TRANSER/RELIEF COMPANY LEGISLATION AND REGULATION

Issue

While the vast majority of timeshare owners are content with long-term ownership, circumstances may arise where an owner no longer desires to possess a timeshare. When that time comes, timeshare owners need to be able to safely sell or rent their timeshare through reliable services. In recent years, a variety of businesses began offering to help owners transfer ownership of their timeshares and its underlying financial obligations, in exchange for upfront payment. Service fees for these “transfer companies” vary greatly (from several hundred to several thousands of dollars) and are at times obtained from owners through aggressive and misleading tactics via telemarketing, direct mail, or in-person seminar style presentations. Once the upfront fee is collected from a timeshare owner, the deceptive individuals in the transfer company business typically respond in one of two ways. Either, the transfer company disappears with the upfront fee and never completes the transaction - leaving the defrauded owner still obligated to pay maintenance fees. Or, the owner actually gets what he pays for and the transfer takes place, however, it is transferred to a shell company or destitute individual with neither the means nor the intent to pay the ongoing costs of ownership.

Impact

In many cases, timeshare owners are defrauded out of thousands of dollars for services that are never rendered and continue to be responsible for maintenance fees that they may no longer be able to afford. In instances when the timeshare is transferred to a shell company, the remaining timeshare association members are burdened with the fees and taxes that are unpaid and uncollectible from that timeshare. Significant time and money must then be spent by an association on the foreclosure process to recapture the interest. As maintenance fees rise to deal with the problem, it can compound causing more and more owners to become delinquent, possibly reaching levels that eventually lead an association to bankruptcy.

Position

ARDA-ROC supports legitimate transfers of timeshare interests to those who intend to assume all costs and obligations of ownership.

To date, ARDA-ROC has successfully lobbied for legislation supporting its position on this issue in four states - Colorado, Florida, Nevada and Texas – with similar legislation in Massachusetts and South Carolina pending. Commonalities among the legislative solutions are items such as: the requirement of a written agreement between a consumer and transfer company, escrow for any payment of upfront fees by a consumer, and serious penalties for someone who “knowingly” transfers a timeshare interest to a person or entity with no intention of meeting its ownership obligations.