



AMERICAN RESORT DEVELOPMENT ASSOCIATION
CONSUMER ADVISORY ON RESALE COMPANIES

ADVISORY I

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While the vast majority of timeshare owners are content with their vacation ownership product (more than 80% expressing satisfaction), there may come a time in an owner's life when a timeshare doesn't make sense for their circumstances any more. The impact of the economy on travel plans, lifestyle changes or even 20 or more years of vacation ownership and use may have some timeshare owners thinking about – or needing to – resell their vacation product.

The resale market which includes timeshare resellers, internet advertisers and other resale companies have crowded the marketplace and caused confusion among consumers and owners. To help timeshare owners navigate through the resale process, ARDA is providing this consumer advisory to assist timeshare owners in reviewing timeshare resale companies and their practices and services in the marketplace. This is the first of two consumer advisories and focuses on the types of timeshare resellers. The second advisory will provide tools to evaluate resale companies.

Step One: Utilize Existing Resources

If you want help to resell your timeshare interest the first step is always to ask your resort's developer, resort manager or owner's association. Often a management company or home owners association may have a newsletter, a website or even a bulletin board where owners can advertise their timeshare for resale.

Step Two: Understanding Timeshare Resale Companies

If the resort developer, management company, or home owners association is unable to assist, there are basically three types of timeshare resale companies to pursue:

- advertisers;
- licensed resellers (they employ licensed real estate agents); and
- other (more details described later).

Regardless of the type of reseller, get a written contract or full details in writing before paying anything; understand the differences and costs for each type of service offered; and be sure to shop around and compare before making a final decision. Prior to giving your credit card authorization over the phone make sure you understand what is being promised in writing and make sure it matches what is being verbally expressed.

This spring and summer four state Attorneys General (Arkansas, Massachusetts, North Carolina and Oklahoma) issued warnings about timeshare resale companies. Most of the AG warnings cautioned consumers to beware of timeshare resellers charging high upfront fees (in one case \$5,000) and making deceptive statements, such as claiming they had buyers lined up, when they did not.

Step Three: Choosing the Best Option for You

Resale Advertisers

Historically, some timeshare resale advertisers have taken a lot of criticism (not to mention some government legal actions) for charging high up-front fees, and doing little or nothing for the timeshare owner who listed his or her timeshare for sale or rent. However, the first step to selling anything is letting people know it's for sale—so whatever you

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do you'll need to advertise. Just remember it is not prudent to give financial authorization until you've thoroughly investigated the company and comparison shopped. There are many places to advertise your timeshare yourself for little or no cost on the Internet or in print.

If the resale company is only helping you advertise your timeshare, then their services usually don't include assisting with a written sales or rental contract or negotiating with a buyer or renter who might express interest in your timeshare. However, the resale advertiser might have a licensed affiliate who can help you for an additional charge

In timeshare resale advertising, there is considerable cost variation—from free to hundreds of dollars or more. Be sure you understand what services are included in any fee and how long a period your timeshare will be "advertised." These advertising fees go by many different names, so be sure you understand what is included.

In advertising, you also want as many people as possible to be able to find your specific timeshare, so Internet resale sites with lots of traffic (visitors looking for timeshare sales or rentals) can be a good choice. Look for Internet resale advertisers at an affordable price who provide you with guidance on what to include in listing your timeshare for sale or rent.

Licensed Real Estate Companies

Timeshare resellers holding real estate licenses are usually "full service" companies. This means that they can not only advertise your timeshare for sale or rent, but also assist buyers, help negotiate prices, write up contracts and assist with the closing of any sale or rental. Some licensed companies may charge an up-front fee (if permitted by state law) or they may only—or also—charge a commission (10% to 30%) when a sale occurs, based on the price for the timeshare interest sold. You can check on the licensing status of individuals in 42 jurisdictions at www.arello.com.

If you are buying or selling a deeded timeshare interest, you are buying or selling real estate. The whole process will work much like buying or selling a home—with slightly less paperwork. Look for licensed resellers who can give you detailed guidance on this entire process.

Licensed resellers (as do some advertisers) often work with a title or escrow company. Title and escrow companies assist both the buyer and seller in "closing" the sale and ensuring that the process is correctly documented (such as seeing that any new deed is recorded, the resort is notified of the new owner, money transferred correctly, and so forth). There are additional costs involved in closing any real estate transaction and you should be sure to get an estimate of those, which can vary from state to state. Often the seller pays the closing costs, but portions may be negotiable, so be sure to inquire about that as well.

Generally speaking, consumer timeshare owners (or any real estate property owner) can advertise or sell property they own without having a real estate license. However, state laws vary with regard to whether a third-party advertiser should have a real estate license. Even more confusing is the fact that many state-based real estate laws were enacted long before the Internet existed and have not necessarily been updated to reflect the interstate and global aspects of modern real estate transactions. If you have questions in this regard, your best resource is your state real estate commission or other real estate licensing agency (A list of them can be found at www.arello.com under "quick links.")

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The benefits of dealing with a licensed reseller who works on commission include the fact that the licensee is motivated to make sales in order to earn commissions; has to qualify for the license with state-mandated training; and, if the licensee violates the law, the license can be suspended or revoked by the state.

Other Timeshare Resellers: A Word of Caution

There are other companies who may offer to buy your timeshare interest (i.e. ‘week’), take it for a fee that you pay, help you give it to charity, put your timeshare in a travel club or some other “creative” solution. Be careful. While some of these offers may be legitimate, be sure to check them out thoroughly before paying anything. Unfortunately not all companies are reputable, so please make sure you understand who you are dealing with, what their contract says, what others who have used the services think and most importantly if it sounds too good to be true – it probably is. Some of these companies are asking for hundreds to thousands of dollars from timeshare owners. One company may have come up with a good idea which they execute well—while others may simply copy the original idea as a way to make money.

One particularly troubling recent model seems to be companies that ask to be paid a substantial sum in return for taking ownership of your timeshare. You could pay from \$2,000, \$3,000 or more to one of these companies when you deed—or otherwise transfer—your timeshare to them. They usually promise that you won’t pay any more maintenance fees because they will take title to your timeshare and pay the fees until they sell it. Communicate with your resort -- the resort where you own needs to know who now owns your timeshare interest, and who to bill for the maintenance fees and taxes. You will need to be sure the company is completely reputable and performs all of the procedures necessary to transfer your timeshare according to law (which includes promptly recording the deed in the name of the new owner for real estate timeshare interests).

Any time you are asked to pay such a large amount of money to anyone to dispose of something you already own, you should exercise extra caution. State government officials are receiving complaints about some of these and other kinds of high fee timeshare resale companies. Check them out carefully before paying anything—and discuss the situation with a trusted friend or advisor.

Step Four: Three Basic Rules to Follow

Finally, follow these three basic rules when seeking to resell or rent your timeshare:

1. Avoid giving your credit card number or paying any money to a company until you have a written contract. Reputable companies do not push you to give a credit card number prior to seeing a contract and should be willing to allow you to determine the speed with which you wish to engage their services.
2. Always shop around and compare prices and services before deciding who gets your business.
3. Investigate the company you plan to do business with—the higher the fee they’re asking, the more carefully you should investigate.