

# HOUSE BILL REPORT

## HB 2513

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**As Reported by House Committee On:**  
Commerce & Labor

**Title:** An act relating to timeshare interest reservations.

**Brief Description:** Regulating timeshare interest reservations.

**Sponsors:** Representatives Wood, Clements and Conway.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 1/28/02, 2/7/02 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes the sale of a timeshare reservation by a promoter prior to completion of the timeshare project.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Conway, Chair; Wood, Vice Chair; Clements, Ranking Minority Member; Chandler, Kenney and Lysen.

**Staff:** Sydney Forrester (786-7120).

**Background:**

A *timeshare* is a right to occupy a unit of real property during three or more separate periods over a term of at least three years. The Department of Licensing, Business and Professions Division regulates the advertisement and sale of timeshares. Regulation includes two primary steps: 1) registration with the department of a timeshare offering prior to any advertising or solicitation of a timeshare project; and 2) written disclosure to the department and purchasers of all information necessary to fully inform a prospective purchaser prior to the sale of a timeshare.

Registration of a timeshare offering requires the filing of a *promoter's statement* and a *disclosure document*. The promoter's statement details specific financial and background

information related to the promoter and the project. The disclosure document describes the location of the timeshare property and the type, price, duration, and number of individual units, as well as information regarding available financing, current ownership of units, the managing company, insurance provided, and dues, fees, and other expenses to be assessed.

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### **Summary of Substitute Bill:**

A "timeshare interest reservation" is created, which allows a promoter to pre-sell a revocable right to purchase a timeshare for which construction has not been completed. A promoter may market and advertise a timeshare project and may accept a reservation deposit from a prospective purchaser in an amount of up to 20 percent of the projected purchase price. Prior to any offer or sale of a timeshare reservation, a promoter must be effectively registered with the department and must provide a registered disclosure document to each prospective purchaser. Once the timeshare project is completed, the promoter must submit an updated registration and disclosure for department approval.

Within one day of accepting a timeshare reservation deposit, a promoter must deliver the deposit to an insured escrow account. Deposits must remain in the account until cancellation of the reservation or execution of a purchase agreement. The department may request the deposits be placed in impoundment.

A prospective buyer may cancel a timeshare interest reservation at any time before signing a purchase and sale agreement. Within 10 days of a termination of a timeshare interest reservation, a promoter must refund the reservation deposit plus any interest earned less any applicable account fees. Account fees may be no more than 1 percent of the deposit paid. If a prospective purchaser learns a promoter intends to raise the selling price above that in the timeshare reservation agreement, the agreement becomes void and the promoter must refund the deposit and the account fees. If a timeshare project appears to be or is insolvent, the promoter must refund all deposits and account fees. The timeshare reservation agreement must contain a specific written statement of the purchaser's cancellation rights.

### **Substitute Bill Compared to Original Bill:**

The substitute bill clarifies that timeshare reservations may be sold only for projects for which construction is not complete. The original bill allowed advertising and pre-sales prior to an effective and detailed registration with the department. The substitute bill requires an effective registration, including filing of the disclosure document, prior to any pre-selling. The substitute bill places a limit on account fees and requires return of the fees if the agreement becomes void based on a price increase, or if there is an actual or pending project insolvency.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Original bill) The bill allows the pre-sale of timeshares by reservation under the same circumstances as for the sale of timeshares. Current law does not allow advertising and deposits on timeshares prior to completion of a timeshare project. Oregon and Nevada do allow pre-sales, and promoters want to offer this to Washington residents. Taking deposits on other real estate such as condominiums, offices, and single-family dwellings, prior to completion is allowed. The pre-sale of timeshares would allow Washington customers to hold an interest in real property, with the protection of a guaranteed return of their deposit and the right to cancel for any reason.

(With concerns) (Original bill) It is important to have effective regulatory oversight and to clarify the type of property interest sold, the timing of notice required, and the rights of both parties.

**Testimony Against:** None.

**Testified:** Representative Alex Wood (prime sponsor); Steve Gano and Robert Klein, Trend West Resorts.

(With concerns) Mary Jelvick, Department of Licensing; and Paul Silver; Attorney General's Office.