

FINAL BILL REPORT

SHB 2513

C 226 L 02

Synopsis as Enacted

Brief Description: Regulating timeshare interest reservations.

Sponsors: By House Committee on Commerce & Labor (originally sponsored by Representatives Wood, Clements and Conway).

House Committee on Commerce & Labor

Senate Committee on Labor, Commerce & Financial Institutions

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's 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 includes 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.

Summary:

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 construction on the timeshare project is completed, the promoter must submit updated registration and disclosure documents 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 to the prospective buyer 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 listed 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.

Votes on Final Passage:

House 98 0
Senate 46 0

Effective: June 13, 2002