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Thinking of buying a time-share?

Don't sign anything at sales presentations.
There are reputable dealers but also many reasons to be wary.

The Ontario government has proposed a 10-day cooling-off period allowing buyers of time-share properties who have been caught off-guard by high-pressure sales tactics to reconsider their purchases.

Last month, Consumer and Commercial Relations Minister Robert Runciman released a consultation paper entitled "Consumer Protection for the 21st Century." Province-wide consultations will be held in a number of locations on the proposals to protect consumers of goods, service and information in a rapidly-changing marketplace. (The paper is on the Web at www.ccr.gov.on.ca or call 416-326-8537.)

One of the most significant proposals from a real estate viewpoint is the cooling-off period for sales within Ontario of time-share properties anywhere in the world. In addition, the government is proposing that time-share sales be accompanied by a disclosure document that meets requirements to be set by regulation.

It is expected that these requirements will include an adequate description of what is being purchased, along with the owner's rights and obligations - all of this written in plain language terms.

The words "time share" refer to a marketing term used to describe a variety of different legal arrangements used to create a right of periodic access to accommodations and facilities.

Time shares are a multi-billion dollar world-wide business with millions of owners worldwide. Even major (and reputable) players, such as Disney, Marriott, Hyatt, Ramada Suites and Carnival and Royal Caribbean Cruise Lines are now involved in the business.

For a one-time purchase fee and payment of an annual maintenance fee, purchasers own their vacation rights either in perpetuity or for a fixed number of years.

Time-shares are often marketed through high-pressure presentations in which consumers are discouraged from reading contracts or considering the details of the offer.

As well, they are denied the opportunity to seek legal advice before making substantial financial commitments. Typically, consumers are invited to a presentation with the lure of a free car rental, meals, boat cruise, guided tour, parasail ride or similar valuable gifts.

They agree, under very sophisticated sales pressure, to put down a deposit of several thousand dollars (often on a credit card) and commit themselves to an even larger payment later. Frequently, within days of attending such seminars, buyers realize the offer is not as attractive as it seemed and they try to cancel it. Marketers who rely on such high-pressure tactics do not give consumers this option unless it is required by law.

Existing laws in Ontario, Mexico and the Caribbean islands do not provide any recourse to buyers or any rights to rescind the contract.

Alberta and British Columbia, as well as more than 30 U.S. states and the European Union have all moved to provide disclosure and cooling-off rights for time-share buyers.

Although there are honest and reputable players in the industry, more than 28 per cent of Canadians who own time-share property are not satisfied with their purchase, according to a 1996 World Tourism Organization study.

Consumers cited pressure sales tactics, contract terms, escalating maintenance fees, buyer remorse, high prices and limited resale possibilities as the sources of their unhappiness.

In Ontario, more than 2,400 consumer complaints on time-shares were collected between 1991 and 1996. In 1997, the Ontario Provincial Police concluded a year-long investigation called Project Timeshare. It uncovered three marketing companies that defrauded 2,500 time-share customers of $17 million.

Typically, time-share resorts have marketing overheads of up to 65 per cent of the price. After all, someone has to pay for the free gifts and the sales commissions.

This means that on a $15,000 time-share purchase, $7,500 or more goes to the cost of selling, and the real value of the time-share is the remaining $7,500 or less.

Resale brokers usually sell previously owned units at 50 to 70 per cent off the developer's original price.

One buyer found a summer week at a Cape Cod, Mass., time share for 86 per cent off the original price.

There are at least seven major resale brokers listed on the World Wide Web, and real estate brokers in resort locations often deal in local time-share properties.

If you're going to buy a time-share, here's a list of dos and don'ts:

* Visit the resort before buying. See the unit you're thinking of buying.

* If it's not in writing, it doesn't count. Get all the promises in writing.

* Talk to other time-share owners in the same project. Read what other owners have to say about the project in Internet User Goups.

* Be wary of high-pressure sales tactics. Don't be afraid to say no.

* Find out how long the resort has been in business. Look at its financial statements.

* Check resale prices for similar units on the Internet or with resale brokers.

* Check with the consumer ministry for complaints.

* Add up all the ownership costs, including maintenance fees, transfer fees, and interest on any loan used to purchase the unit.

* Find out rental costs of similar accommodation. It might be cheaper to rent when you count the maintenance fees and carrying costs.

* Check flights to the nearest airport. A time-share is useless if you can't get there from home, or you have to change planes three times, or the air fare is exorbitant.

* Check your right to back out of the contract. If you're buying in Mexico, the Caribbean or most Canadian provinces, put a 10-day cancellation right into the contract.

* Never pay the asking price. With huge marketing costs, the price is bound to be negotiable.

* Ask what happens if the developer goes bankrupt. Can you get a "non-disturbance agreement" from its mortgage lender?

* Above all, keep your hands in your pockets at the sales presentations. Never sign anything until you've had independent legal advice.

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