

SENATE BILL REPORT

SB 6424

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 7, 2002

Title: An act relating to timeshare interest reservations.

Brief Description: Regulating timeshare interest reservations.

Sponsors: Senators Prentice, Honeyford and Winsley.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/31/02, 2/7/02 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 6424 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Fairley, Franklin, Gardner, Hochstatter, Honeyford, Rasmussen, Regala, West and Winsley.

Staff: Elizabeth Mitchell (786-7430)

Background: Timeshare promoters cannot currently sell, advertise or offer a timeshare unit for sale before registering with the Department of Licensing. The registration must include information about the promoter's business history, as well as a disclosure form about the timeshare property.

Summary of Substitute Bill: A "timeshare interest reservation" is defined as a revocable right to purchase an interest in a timeshare project for which construction has not yet been completed. Timeshare promoters must register with the department before offering a timeshare interest reservation.

Deposits accepted by promoters on a timeshare interest reservation cannot exceed 20 percent of the total purchase price. A promoter must place the deposit in an escrow account within one business day of receipt. The department may also request that the deposit be placed in impoundment.

Before the purchaser of a timeshare interest reservation signs a purchase agreement, the property must be completed, and the timeshare promoter must re-register with the Department of Licensing. The department must approve any changes to the disclosure form, and a new disclosure form must be provided to purchasers.

If, prior to signing a purchase agreement, a purchaser learns that the promoter is proposing to raise the price of the timeshare, the purchaser can cancel a contract and get his/her money back within 10 days. A purchaser can also cancel his/her purchase and get all his/her money back within 10 days (minus any "account fees") for any reason prior to signing the purchase

agreement. A statement of these cancellation rights must be included in a contract for a timeshare interest reservation.

If the promoter charges "account fees" (administrative costs for holding money in escrow), these fees cannot exceed 1 percent of the total deposit paid by the purchaser.

Substitute Bill Compared to Original Bill: Timeshare promoters must register with the department before offering a timeshare interest reservation. The timeshare interest reservation can only apply to those timeshares for which construction has not yet been completed. Before the purchaser signs a purchase agreement, the property must be completed, and the timeshare promoter must re-register with the department. The department must approve any changes to the disclosure form, and a new disclosure form must be provided to purchasers. If, prior to signing a purchase agreement, a purchaser learns that the promoter is proposing to raise the price of the timeshare, the purchaser can cancel a contract and get his/her money back within 10 days. A statement of cancellation rights must be included in a contract for a timeshare interest reservation. If the promoter charges account fees (administrative costs for holding money in escrow) these fees cannot exceed 1 percent of the total deposit paid by the purchaser.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: There is a development east of Cle Elum called Mountain Star Resort. Promoters would like to pre-sell reservations to the property since it has not yet been completed. Pre-selling is a common practice in office building leases. The department and the Attorney General's office have some concerns about the bill and are working with interested parties.

Testimony Against: None.

Testified: PRO: Gene Forrester, Senior Citizen's Lobby; Steve Gano, Trend West Resorts; Dave Horn, Attorney General's Office (concerns); Mary Jelvik, Department of Licensing (concerns).