

EDITORIAL

Time Sharing: A Dream Come True?

Timesharing, although relatively recent on Cape Cod, is not a new concept, but a resort-developer's tool used in the Caribbean, for instance, for decades. For more than thirty years vacationers in the storied and lovely islands rising from the seas off our southeastern shores have enjoyed opportunity to buy time-shared units for specified times. Should they choose not to use their weeks themselves, renting to another eager vacationist was always an option.

Little wonder, then, with inflation driving resort prices and other living costs to new heights each season, Americans accepted time-sharing with enthusiasm. What better way to ensure an affordable cost-controlled vacation? But time-sharing, in some cases, has proven a nightmare to a number of unwary consumers. Before you put down your cash and sign up, be sure you know your rights and the legal ramifications of the contract.

Of the estimated 250,000 Americans who now own time-share "right-to-use" contracts, a growing number is ending up with little or nothing in return for the \$2,500 to \$15,000, or more, they have invested. As buyers in two major Florida resorts and one in Myrtle Beach, S.C., discovered, according

to Kenneth Harney, editor and publisher of the Harney Washington Real Estate Report, the buyers are barred from the premises they believed they were purchasing for decades of occasional use.

In a recent article in his bi-weekly newsletter, Harney highlights pending Congressional legislation designed to offer increased protection to right-to-use purchasers, protection now lacking.

Awaiting both House and Senate action, the legislation, if passed, will revise codes to allow right of use consumers to retain occupancy of their units during bankruptcy proceedings, thus preventing lock-outs by owners, and granting buyers the same legal status enjoyed by other real estate "lessees" (renters) under federal law. At this time, the bankruptcy code permits developers or owners of resort projects to cancel long-term agreements simply by declaring bankruptcy. The resort can then be resold to a new owner who in turn can take proceeds from sales and run, leaving right-to-use consumers with no recourse.

It should be noted that time-sharing is sold in two ways. A "right to use" (also known as a vacation license) does not

grant true real estate interest to the purchaser. Instead, it is a long-term lease or contract and confers only lease-holder rights.

In contrast, interval ownership involves transfer of actual titles and deeds to the real estate. A consumer might purchase a four percent interest in a resort motel. Bankruptcy codes confer owners of interval ownership units status as secured creditors and allow continued use of the property.

Right to use purchasers, even when units are fully paid for in cash, have no such protection and can be evicted and denied entrance to their property, if the resort goes into bankruptcy.

Until legislation clears Congress to afford greater protection to right-to-use consumers, time-share purchasers should be cognizant of the difference between the two types of purchase.

The reform legislation, according to the Harney newsletter, has solid support from the real estate industry group representing responsible resort developers . . . the National Timesharing Council of the American Land Development Association.