



ARIZONA STATE SENATE
Fifty-Fourth Legislature, First Regular Session

FACT SHEET FOR H.B. 2639

timeshares; disclosures

Purpose

Requires the seller of a timeshare to provide a purchaser with a separate disclosure document outlining financial obligations and extends the time period within which a purchaser may rescind a timeshare purchase agreement.

Background

A *timeshare plan* is any arrangement, plan or similar device, whether by a membership agreement, sale, lease, deed, license, right-to-use agreement or by other means, for which a purchaser receives ownership rights in or the right to use accommodations for a period of time less than a full year ([A.R.S. § 32-2197](#)).

A disclosure must be included in a timeshare purchase agreement and must state that: 1) a purchaser may cancel a purchase agreement without penalty or obligation within seven calendar days after signing, or longer if allowed by a developer; 2) a purchaser must notify a seller of intent to cancel a purchase in writing; 3) a purchaser's notice of cancellation is effective on the date the cancellation is sent; 4) the seller's address and telephone number; and 5) closing a timeshare is prohibited before the seven calendar day cancellation period expires ([A.R.S. § 32-1297.03](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

Timeshare Purchase Agreements

1. Requires a developer to give a purchaser a paper copy of a purchase agreement:
 - a) at least one business day before a purchaser signs the purchase agreement; and
 - b) when a purchaser signs the purchase agreement.
2. Prohibits a developer from advertising or providing a sales presentation to a purchaser between the time a developer gives a purchaser a purchase agreement and when the purchaser signs the purchase agreement.
3. Extends, from seven to ten calendar days, the time period a purchaser has to rescind a purchase agreement without cause after a purchase agreement is signed.
4. Requires, in a purchase agreement, the rescission period disclosure to state that a purchaser may cancel a purchase agreement without penalty or obligation within ten calendar days or another time period if applicable.

5. Requires a purchase agreement to be in writing and signed by the purchaser.
6. States that the denial of a purchaser's rights without a good faith legal basis constitutes an unlawful practice.
7. Allows the Attorney General to investigate and take appropriate action as prescribed in consumer fraud statute.

Separate Disclosure Documents

8. Requires a seller, before entering into an agreement or contract for the sale of a timeshare interest, to provide a purchaser with a separate disclosure document informing the purchaser of the actual and potential liabilities under the purchase agreement.
9. Requires a separate disclosure document to conspicuously include:
 - a) the duration of a timeshare agreement and, if the agreement has no set duration, a statement that the purchaser's obligations may extend throughout the course of the purchaser's lifetime;
 - b) a good faith estimate of the total potential financial obligation during the first year of ownership that includes additional charges during the first year and all potential assessments;
 - c) a good faith estimate of the maximum annual and cumulative financial obligation during the duration of a timeshare agreement, including the purchase price, assessments and any additional payments; and
 - d) a payment schedule disclosing estimates of the assessments payable during each year of the life of the agreement if the amount of future assessments is unknown at the time of purchase.
10. Requires a separate disclosure document to include, if known at the time of purchase, the maximum amount of the first year's assessments and the assessments levied for the previous three years.
11. Requires a separate disclosure document to include, if the maximum amount of the first year's assessments is unknown at the time of purchase:
 - a) notice that a purchaser will be required to pay an unknown amount of assessments in addition to the purchase payment;
 - b) a statement disclosing the assessments levied for the previous three years, if available, and a good faith estimate of the first year's assessment that is at least the highest amount assessed during the previous three years; and
 - c) an affirmative statement that there is no limit on the assessments that a purchaser may be charged in the first year of ownership.
12. Requires a separate disclosure document to include, if the amount of future assessments is known:
 - a) notice that a purchaser will be required to pay assessments in addition to the disclosed purchase price;

- b) a payment schedule disclosing the amount of assessments payable during each year of the life of a timeshare agreement and the cumulative assessment amount after 5, 10, 20 and 30 years of ownership;
 - c) all material additional payments, including estimated taxes, estimated utility fees and special assessments; and
 - d) a schedule designating an estimated amount equal to \$1,000 per year for special assessments if a purchase agreement does not have a cap on special assessments.
13. Requires a separate disclosure document to include, if the amount of future assessments is unknown:
- a) notice that a purchaser will be required to pay an unknown amount of assessments in addition to the disclosed purchase price;
 - b) regularly scheduled assessments and a list of all fees including estimated taxes and utility fees and special assessments; and
 - c) a schedule designating \$1,000 per year for special assessments if a purchase agreement does not have a cap on special assessments.
14. Requires a purchaser to sign a separate disclosure document and verify they have read and understand the information presented in the separate disclosure document.
15. Requires a signed separate disclosure document to be kept by the seller and a copy to be provided to a purchaser at the time of signing for their records.
16. Allows the Arizona Real Estate Commissioner to recommend or require that the separate disclosure document be in a specified form and requires the form to contain the information required by timeshare disclosure regulation.

Separate Disclosure Document Payment Schedules

17. Requires, if the maximum amount of the first year's assessment is known, a payment schedule to:
- a) start with the maximum amount of the first year's assessment;
 - b) disclose estimates of annual assessments, using the maximum allowable assessment for each year if specified in a purchase agreement, for the first 30 years of ownership or the duration of a timeshare agreement, whichever is less;
 - c) state that the amounts provided are estimates and the actual cost of ownership may be higher or lower; and
 - d) assume an annual assessment increase of:
 - i. 25 percent for each year if a purchase agreement does not specify a maximum allowable assessment; or
 - ii. the maximum cap on the rate of increase if a purchase agreement places a cap on assessment increases.
18. Requires, if the maximum amount of the first year's assessment is unknown, a payment schedule to:
- a) start with \$650;
 - b) disclose estimates of the annual assessments for the first 30 years of ownership or the duration of a timeshare agreement, whichever is less;

FACT SHEET

H.B. 2639

Page 4

- c) state that the amounts provided are estimates and the actual cost of ownership may be higher or lower; and
 - d) assume an annual assessment increase of:
 - i. 25 percent for each year of ownership; or
 - ii. the maximum cap on the rate of increase if a purchase agreement places a cap on assessment increases.
19. Requires a schedule to reflect the cumulative amount of all assessments to be paid by a purchaser for the duration of a timeshare agreement and for the first 5, 10, 20 and 30 years of ownership.
20. Requires a schedule to include all periods that occur until a timeshare agreement's end date if the duration of a timeshare agreement is:
 - a) less than 5 years;
 - b) more than 5 years and less than 10 years;
 - c) more than 10 years and less than 20 years; or
 - d) more than 20 years and less than 30 years.

Miscellaneous

21. Makes technical and conforming changes.
22. Becomes effective on the general effective date.

House Action

RA	2/18/19	DP	7-0-0-0
3 rd Read	3/11/19		60-0-0

Prepared by Senate Research
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MG/AA/gs