

QUESTIONS TO ASK BEFORE YOU BUY

The following questions are helpful for anyone interested in vacation ownership, however some are more directed at timeshare and fractional. Begin your vacation ownership experience by knowing all the facts before you make a purchase.

General Questions

1. Is the resort a member of ARDA (The American Resort Development Association)?
2. What is the form of ownership? Deeded or Right-to-use?
3. What is the annual maintenance fee and what taxes does it cover/not cover?
4. Is there a Home Owners Association and how much say does it have?
5. If the resort subscribes to a points program, how many points is the unit worth in exchange?
6. Are the weeks fixed or floating?
7. How often are the furnishings replaced/upgraded? Is it in writing?
8. Are there closing costs associated with the purchase?
9. What year/month does usage begin?
10. What is the process for reserving floating weeks (if applicable)? How far in advance do you have to reserve in order to get what you want?

Questions About the Resort

1. Who manages the resort?
2. What is the composition of the ownership units (number of units, size and ownership type)?
3. What kind of formal say do owners have in the running of the resort?
4. What percentage of the unit inventory is sold?
5. What kind of access rights do owners have to special amenities such as golf courses and spa facilities? Is there a discount for owners?
6. Does the resort have a unit rental program and how much of the rental prices go to the owners?
7. Is there an adjacent hotel or other entity that shares amenities?
8. What is the relationship between the property and nearby golf, beach, ski, or other facilities?
9. Are beaches or other attractions owned or overseen by the operator? Are there any usage restrictions or public accommodations required by law, contract, or local authorities?
10. Do you have a list of current and historical comparable values for the area? Please provide.

Questions about Services & Amenities

1. Do you have a copy of the full menu of services and amenities (including hours and fees)? Please provide.
2. What are the specific terms for usage, guaranteed access, and guest privileges (e.g., greens fees and tee times)?
3. Do you have a list of commonly-used nearby attractions and their fees (ski lift tickets, boat rentals)? Please provide.
4. Does the club host special holiday events for owners?
5. Are there usage restrictions or surcharges for unaccompanied guests?
6. Are dining menus of the resort restaurants available? Please provide.
7. What is the cost and process for hosting events and extra guests?
8. Do you have any corporate partners that provide special owner benefits?
9. Have any surveys been conducted to gauge owner satisfaction? Please share the full results.

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Questions About the Unit

1. Is the unit deeded or right-to-use?
2. If it is right-to-use, how many years remain in the usage period? Does the owner have the right to renew when it ends? For how much?
3. How old is the unit?
4. When was the last time it was refurbished?
5. Are units refurbished on a regular basis and if so, how often and when?
6. Is it a lock-off? (Can it be transformed from one large unit into two smaller ones?)
7. Is the kitchen full or partial? Are appliances full-sized or apartment sized?
8. Where are the laundry facilities?

Questions About the Week

1. Is there an additional usage fee?
2. Is your timeshare/fractional week(s) fixed or floating?
3. Is your week number determined by a regular calendar year or by the resort's own timeshare calendar?
4. How far in advance must you reserve in order to get exactly what you want?
5. Can a week's usage be split (i.e. into two short 3 and 4 day getaways) and if so are there special regulations or additional fees that apply?
6. What is the process for guaranteed and space-available usage? What are the usage tiers? Is it fixed or rotating schedule? Fixed or floating units?
7. How are seasons defined? What blackout dates apply?
8. What are there minimum and maximum stays?
9. Is there a fixed weekday for arrivals?
10. Do you have an exchange program among owners and/or with PRCs? Please provide a list of destinations and applicable terms
11. What are the storage accommodations?
12. What are the security arrangements?
13. What precautions are made for child safety?
14. Are guidelines and regulations available for dress code, guests, entertaining, children, noise, custom décor, etc.?

Questions About the Purchase

1. What year/month does usage begin?
2. Are all fees current through the start date?
3. Does the purchase include any banked or reserved weeks? How are they transferred to you?
4. Does the resort charge any fees for transferring the ownership? Are there any local town/municipal fees involved in the purchase?
5. For deeded properties, what type of deed applies? (quit claim, warranty deed, grant deed, other.)
6. Will any closing costs be split between buyer and seller?
7. Is an exchange company membership included in the purchase price?
8. Is a description of the purchase process available? Please provide.
9. How is my deposit secured? Under what terms is the deposit refundable?
10. Is there a waiting list to buy?
11. Are any unpublished premium tiers or special privileges available?
12. What are the currently-available sales incentives?
13. Can you provide for reference the name of a recent customer (less than 2-year ownership) and a longer-term customer?
14. What financing terms do you offer? Does it qualify as a deductible-interest mortgage?
15. What percentage of buyers take your financing? What alternatives do others select?

Questions About Ownership and Costs

1. What is the precise ownership structure? What evidence will I hold of title?

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2. Please describe the profile of the typical owner.
3. Have any units been resold by owners? Why?
4. Are there special conditions and restrictions related to international or non-citizen ownership?

Taxes

1. What are the taxes?
2. Are they covered by the annual fee or billed separately?
3. Are property taxes broken out and deductible by me?

Finance

1. How is the resort's financial status/well-being reported to the owners?
2. What are the resort's annual operating costs and has it ever had trouble covering them?
3. Are there any outstanding charges or liens against the property?
4. Is all the developer financing paid off?

Insurance

1. What kind and how much insurance does the resort carry to cover catastrophic events such as hurricanes, floods or fire?
2. If the resort makes an insurance claim, are owners responsible for covering the deductible?
3. What is the insurance coverage for private and common facilities?

Annual Fee

1. What are the recurring fees, including HOA and any occupancy charges?
2. What are the anticipated annual increases in these fees?
3. What are the fees for space-available occupancy?
4. What portion of the annual fee is reserved for refurbishment and added amenities?

Questions About Governance

1. Is there a Board of Directors or Advisory Board?
2. What is the relationship between developer and operator?
3. How are disputes resolved between owners and the operator?
4. arbitration requirement?
5. Under what conditions can an owner be forced to sell?
6. Will the club disclose operating performance and projections? Audited financial statements?
7. What is the process for fee adjustments, improvements, and assessments?

Questions About Exchanging

1. Is the resort affiliated with either RCI or Interval International (the two primary exchange facilitators)?
2. What color is the week, as designated by the exchange company?
3. What is the trading power of the week? Can you see a similar week deposited for exchange so you can get a clear understanding of its trade value?
4. Is the resort part of an exchange points program? If so, how many exchange points is the unit you're considering worth?
5. If the resort is part of a points program, ask the salesperson to explain exactly how it works and whether or not there are any additional fees associated with it.
6. Will a points membership transfer with ownership?
7. How far in advance can you deposit points for exchange?
8. Do you have to prepay maintenance fees if you deposit early?
9. Is the group part of a resort system that offers internal trading within the resort's property network? Are there special incentives for staying within the network?
10. If the resort is part of a system, what is the exchange process and fees?
11. Can you use part of your week at one resort within the network, and the rest at another?

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12. Does the week qualify for bonus weeks with the exchange companies? If so, are they transferable from one owner to the next?
13. Are there any restrictions or issues with trading through independent exchange companies?

Questions About Renting

1. Are rentals permitted? What are the restrictions?
2. Do you assist in the rental process? What is the fee or revenue are rentals priced and allocated among owners?
3. What is the process for renters or unaccompanied guests? Are restrictions?
4. What are the rental trends and occupancy rates at comparable
5. Are destination clubs permitted to purchase units? Which ones do, and how many units?
6. What are the price trends for similar homes in this PRC?

Questions About Selling

1. What are the price trends for similar units or homes?
2. What are the procedures, fees, and restrictions on selling?

Questions for Pre-Construction Sales

1. What is the price of this phase relative to previous phases? What is the anticipated price of subsequent phases?
2. Are units selling faster or slower than previous phases?
3. How many reservations are currently signed? How many have withdrawn their deposit? Why?
4. How many sales have been closed?
5. Are all necessary entitlement and permit procedures completed?
6. At what point will all amenities be completed?

Questions for the Developer

1. What other projects have you developed?
2. Have you missed any sales or construction milestones in previous projects (relative to stated deadlines at the first pre-sale)?
3. What was the pre-sale cancellation rate?
4. Have any of the principals or their current or past companies been sued for previous developments? What are the details?
5. Do you have a plan that shows all projected phases of development?
6. What are the guarantees and development schedules for uncompleted amenities?
7. Are there local zoning restrictions that will restrict the emergence of new development?
8. What other local developments are on file with the municipality?

Source: ARDA, www.arda.org

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DESTINATION CLUB QUESTIONS

Questions About Membership and Fees

1. What is the member growth from the previous year?
2. Can memberships be resold or transferred?
3. Is there a waiting list to resign?
4. How many people are on the resignation list?
5. What is the average time it takes to refund a member deposit?
6. Can the club provide audited financial statements to demonstrate that at any point in time there is enough equity in the homes and cash to retire the refundable portion of the membership deposit?
7. Are members purchasing an equity stake in the homes?
8. What is the allowable annual dues increase?
9. Are there any special membership offers currently?

Questions About Properties

1. How many residences are owned and opened?
2. How many destinations are planned?
3. Are there multiple homes at destinations?
4. How many homes do you plan at each destination?
5. What percentage of the homes in the portfolio is leased versus owned?
6. Are any sailboats or houseboats available?
7. What is the true market value of each of the homes in the portfolio, or of the total portfolio?
8. What is the average size of the homes (square footage, number of bedrooms, number of bathrooms)?
9. Are photos and floorplans available for all homes?
10. What is the occupant capacity of the homes? Are pets allowed?
11. What information do you provide before I arrive at a location?
12. Does the club have a travel concierge?
13. Does each location have a site concierge?
14. What is the frequency of the onsite cleaning service during a guest stay?
15. Is tipping allowed or expected?

Questions About Reservations & Availability

1. Who is able to book or use the home?
2. Please briefly explain how the reservations system works.
3. How many days of possible occupancy are there across all the homes?
4. How many days of access are available for the plan I am considering?
5. Are additional days available? If so, at what cost?
6. Can a member rollover unused days from one year to the next?
7. What is the minimum length of stay per location? Maximum?
8. Do members receive any guarantee of availability for peak periods?
9. How does a member check availability?

Questions About Club Structure

1. How and when is profit taken from the club?
2. Is there a Board of Directors? Who are they?
3. Is there an Advisory Board?
4. What happens if the club fails?
5. How does a "wind-down" work and get triggered?
6. Are there any pending lawsuits against the club?
7. What happens to my membership if the club merges or is acquired?
8. What type of financing is the club using to purchase its homes?
9. What percentage of the purchase price of the home was financed?

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10. Is any of the non-refundable portion of the membership deposit used for club operations?
11. When will the club be able to sustain itself on the annual dues alone?
12. How does the club plan to take gains in real estate holdings if it still needs to buy homes to service members?

Questions About Company Experience and Strengths

1. What hospitality experience does the management team have?
2. What real estate experience does the management team have?
3. What recognition has the club received? (exclude Robb Report awards)
4. How many reservations have been executed in last year?
5. Does the club conduct an annual survey of its members?

Source: Helium Report, www.heliumreport.com/