State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

HOUSE BILL 2639

AN ACT

AMENDING SECTION 32-2197.03, ARIZONA REVISED STATUTES; AMENDING TITLE 32, CHAPTER 20, ARTICLE 9, ARIZONA REVISED STATUTES, BY ADDING SECTION 32-2197.16; RELATING TO REAL ESTATE.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 32-2197.03, Arizona Revised Statutes, is amended to read:

32-2197.03. Purchase agreements; rescission of contract or agreement; cancellation or termination of timeshare interests

A. A purchase agreement shall be in writing and shall be signed by the purchaser. The developer shall give the purchaser a paper copy of the purchase agreement both:

1. At least one business day before the purchaser signs the purchase agreement. Between the time that the developer gives the purchaser a copy of the purchase agreement pursuant to this paragraph until the purchaser signs the purchase agreement, the developer may not advertise to the purchaser or provide a sales presentation to the purchaser.

2. When the purchaser signs the purchase agreement.

B. The purchaser may rescind the purchase agreement without cause of any kind by sending or delivering a written notice of rescission by midnight of the seventh TENTH calendar day following the day on which the purchaser or prospective purchaser executed the purchase agreement. The rescission rights shall be conspicuously disclosed in the purchase agreement. If the developer allows the rescission period to extend beyond the seven TENTH calendar days, the rescission period disclosure in the purchase agreement shall reflect the longer period of time. The disclosure required by this subsection shall be printed immediately before the space reserved in the purchase agreement for the signature of the purchaser and shall include the following information:

1. The purchaser may cancel the purchase agreement without a penalty or obligation within seven TENTH calendar days, OR ANOTHER TIME PERIOD IF APPLICABLE, after the purchaser signs the purchase agreement.

2. If the purchaser decides to cancel the purchase agreement, the purchaser shall notify the seller in writing of the purchaser's intent to cancel.

3. The purchaser's notice of cancellation is effective on the date the cancellation is sent and shall be sent to the seller at the seller's address. The seller's address and telephone number shall be listed on IN the purchase agreement.

4. The purchaser may execute all closing documents in advance. However, the closing, as evidenced by delivery of the deed or other document, is prohibited before the seven TENTH calendar day cancellation period expires.

C. The denial of a purchaser's rights under this section without a good faith legal basis constitutes an unlawful practice under Section 44-1522. The Attorney General may investigate and take appropriate action as prescribed by Title 44, Chapter 10, Article 7.
B. D. This section applies to any timeshare plan approved by the commissioner pursuant to either article 4 of this chapter or this article, regardless of the date of issuance of the public report.

Sec. 2. Title 32, chapter 20, article 9, Arizona Revised Statutes, is amended by adding section 32-2197.16, to read:

32-2197.16. Separate disclosure

A. BEFORE ENTERING INTO AN AGREEMENT OR CONTRACT FOR THE SALE OF A TIMESHARE INTEREST, THE SELLER MUST PROVIDE THE PURCHASER WITH A SEPARATE DISCLOSURE DOCUMENT TO ADEQUATELY INFORM THE PURCHASER OF THE PURCHASER'S ACTUAL AND POTENTIAL LIABILITIES UNDER THE PURCHASE AGREEMENT. AT A MINIMUM, THIS SEPARATE DISCLOSURE DOCUMENT MUST CONSPICUOUSLY DISCLOSE ALL OF THE FOLLOWING:

1. THE DURATION OF THE TIMESHARE AGREEMENT ENTERED INTO BY THE PURCHASER AND, IF THE AGREEMENT HAS NO SET DURATION, AN AFFIRMATIVE STATEMENT THAT THE PURCHASER'S OBLIGATIONS UNDER THE AGREEMENT MAY EXTEND THROUGHOUT THE COURSE OF THE PURCHASER'S LIFETIME.

2. A GOOD FAITH ESTIMATE OF THE TOTAL POTENTIAL FINANCIAL OBLIGATION OF THE PURCHASER DURING THE FIRST YEAR OF OWNERSHIP THAT INCLUDES ADDITIONAL CHARGES TO WHICH THE PURCHASER MAY BE SUBJECT DURING THE FIRST YEAR OF OWNERSHIP, INCLUDING ALL POTENTIAL ASSESSMENTS. THE DISCLOSURE SHALL BE AS FOLLOWS:
   (b) IF THE MAXIMUM AMOUNT OF THE FIRST YEAR'S ASSESSMENTS IS UNKNOWN AT THE TIME OF PURCHASE, THE DISCLOSURE MUST PROVIDE THE PURCHASER WITH THE FOLLOWING:
      (i) NOTICE THAT THE PURCHASER WILL BE REQUIRED TO PAY ASSESSMENTS IN ADDITION TO THE DISCLOSED PURCHASE PAYMENT AND THAT THE AMOUNT OF THOSE ASSESSMENTS IS CURRENTLY UNKNOWN.
      (ii) A STATEMENT DISCLOSING THE ASSESSMENTS LEVIED FOR EACH OF THE PREVIOUS THREE YEARS, IF AVAILABLE, AND A GOOD FAITH ESTIMATE OF THE FIRST YEAR'S ASSESSMENTS THAT IS AT LEAST THE HIGHEST AMOUNT ASSESSED DURING ANY OF THE PREVIOUS THREE YEARS BASED ON THE TIMESHARE INTEREST BEING OFFERED.
      (iii) AN AFFIRMATIVE STATEMENT THAT THERE IS NO LIMIT ON THE ASSESSMENTS THAT THE PURCHASER MAY BE CHARGED IN THE FIRST YEAR OF OWNERSHIP.

(a) Notice that the 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 the agreement and the cumulative amount of those assessments after five, ten, twenty and thirty years of ownership.

(c) All material additional payments, including estimated taxes, estimated utility fees and special assessments. If the purchase agreement does not have a cap on special assessments, the schedule shall use an estimated amount equal to $1,000 per year for special assessments.

4. If the amount of future assessments is unknown at the time of purchase, the disclosure must provide the purchaser with the following:

(a) Notice that the purchaser will be required to pay assessments in addition to the disclosed purchase price and that the amount of those assessments is currently unknown.

(b) A payment schedule disclosing estimates of the assessments payable during each year of the life of the agreement as follows:

(i) If the maximum amount of the first year's assessment is known and has been disclosed by the seller pursuant to subsection a, paragraph 2, subdivision (a) of this section, the schedule shall start with that amount for the first year. The schedule shall disclose estimates of the annual assessments, using the maximum allowable assessment for each year if specified in the purchase agreement, for the first thirty years of ownership or the duration of the timeshare agreement, whichever is less. If the purchase agreement does not specify a maximum allowable assessment for any given year, the schedule shall assume an annual assessment increase of twenty-five percent for each year. Estimates must include a statement clarifying that the amounts provided are estimates and the actual cost of ownership may be higher or lower than the amounts provided.

(ii) If the maximum amount of the first year's assessment is unknown and the seller has provided a disclosure under subsection a, paragraph 2, subdivision (b) of this section, the schedule shall start with $650. The schedule shall disclose estimates of the annual assessments for the first thirty years of ownership or the duration of the timeshare agreement, whichever is less, assuming an annual assessment increase of twenty-five percent for each year of ownership. The estimates must include a statement clarifying that the amounts provided are estimates and the actual cost of ownership may be higher or lower than the amounts provided.

(iii) If the purchase agreement places a cap on assessment increases, the schedule shall substitute the maximum cap on the rate of increase for the twenty-five percent assumed rate required by items (i) and (ii) of this subdivision.

(iv) Using the appropriate percentage rate under item (ii) of this subdivision, the schedule shall also reflect the cumulative amount of all assessments to be paid by the purchaser for the duration of the timeshare agreement.

(c) IN ADDITION TO REGULARLY SCHEDULED ASSESSMENTS, A LIST OF ALL FEES, INCLUDING ESTIMATED TAXES, ESTIMATED UTILITY FEES AND SPECIAL ASSESSMENTS. IF THE PURCHASE AGREEMENT DOES NOT HAVE A CAP ON SPECIAL ASSESSMENTS, THE SCHEDULE SHALL USE AN AMOUNT EQUAL TO $1,000 PER YEAR FOR SPECIAL ASSESSMENTS.


C. THE COMMISSIONER MAY RECOMMEND OR REQUIRE THAT THE SEPARATE DISCLOSURE BE IN A SPECIFIED FORM. THE FORM MUST CONTAIN THE INFORMATION REQUIRED BY THIS SECTION.