



SCAM ALERT

Time-Share Bandits

Buying vacation properties used to be risky. Now the risk comes when you sell. How police brought down one shady operation *By Doug Shadel*



JUSTIN METZ

SHE'D HAD ENOUGH. Just two years after Nancy Adams and her sister, Edith, bought their time-share condo, Nancy wanted to get rid of it.

The siblings had gotten swept up in the pitch from a time-share company that had offered them a free weekend in April 2012 at one of its properties, in Charleston, South Carolina. Nancy, currently 78, had grown up working at her grandfather's Florida resort; she wanted to be the pampered guest for a change. Before the weekend was over, the sisters had bought a unit.

But now Nancy was regretting that decision. The sisters had used the unit several times, and they had applied accumulated "points" to stay once

at a separate location run by the resort. But after several expensive "upgrades" to their membership, their total investment in the time-share was more than \$20,000. Now the sisters wanted out.

So Nancy, a retired bank teller, posted a for-sale ad on a website called BuyaTimeShare.com in December 2014. Within a week, the sisters' phone was ringing off the hook with offers. But most of the calls came from 800 numbers, and for months the sisters ignored the sales calls. Finally, someone with a Florida area code called.

"Kevin" was from a firm called International Marketing Solutions. He said he was representing a couple from Montreal who wanted to buy the unit, and provided Nancy with their contact info. When Nancy called, a woman confirmed everything Kevin had said and expressed her eagerness to buy.

The deal came together quickly. Nancy received faxed documents already signed by the buyers and wrote a check for \$2,250, to be refunded later, to set up escrow and title services.

Weeks and months passed; Nancy never heard from Kevin again. She had been caught up in a new wave of fraud that has systematically targeted vacation property owners like her.

A BRIEF HISTORY OF TIME-SHARES

The U.S. time-share industry was born in the 1970s, based on a simple innovation: Instead of selling a condo unit to a single buyer, a developer could market the unit based on time. This meant a single condo could become 52 units (or weeks) and be sold to as many as 52 owners, each paying a share of the price.

In the early days, the hubs of this new business model were California, Hawaii and Florida; companies such as Westgate Resorts, Marriott, Hilton, Wyndham and Starwood thrived over the next 20 years. Soon, other travel corporations jumped in. Today there are more than 1,500 time-share developers in the United States and more than 9.2 million time-share owners,

reports the American Resort Development Association (ARDA), a time-share industry trade group.

Many owners are happy with their purchases and routinely vacation in their time-shares during their given weeks. But the industry has long been dogged by a reputation for unscrupulous sales practices. And owners frequently encounter unforeseen challenges. Along with being responsible for annual maintenance fees, they may be saddled with an asset (essentially, the right to use a condo for one specific week of the year) that has little resale value. Often, time-share companies are unwilling to buy back sold units, and reselling a time-share can be difficult.

This became particularly true after the recession hit in late 2007. The steep economic downturn caused time-share sales to decline sharply, leading to the layoffs of hundreds of salespeople. At the same time, the resale market was flooded with owners desperate to unload their units. It was in this environment that the time-share resale scam emerged. Shady entrepreneurs acquired lists of people trying to sell their unwanted time-shares and hired roomfuls of salespeople to work boiler room-style call centers. A lucrative wire-fraud industry was born.

The con: Claim to represent a company that helps owners sell their properties. Say you have a specific buyer already lined up. Tell the seller that all she needs to do is pay an upfront fee to cover various costs. Exchange legitimate-looking legal forms, and get the seller to pay the fee. Then, disappear.

The fraud emerged around 2009 and took off in 2011, when complaints flooded the Federal Trade Commission. "They just took advantage of a very lucrative time, when people were desperate to dump their time-shares," says Michael J. Stevens, a detective with the Orlando Police Department. During those years, the scam outfits were brazen, opening large call centers in and around Orlando. "They would pose as real businesses," Stevens says. "They'd incorporate online; they'd get

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telemarketing licenses.”

In 2013, the FTC filed 191 cases against time-share resellers, and new regulations were imposed in Florida, California, Nevada and other time-share hot spots. The problem became so serious that “ARDA led an effort to pass time-share resale legislation in about 12 states, including Florida,” says Robert Clements, ARDA’s vice president for regulatory affairs. Clements has also spoken with attorneys general in several states to raise awareness about the issue.

Resale-fraud reports have since receded, but fresh variations on the con are emerging, and authorities warn that the machinery that powers this scam is alive and well. “It’s not one person,” Stevens says. “It’s a business. It’s an industry. And once they’re trained, that’s what they do. It’s like being a drug dealer. ‘What do you do?’ ‘I sell crack.’ ‘What do you do?’ ‘I lie on the phone.’”

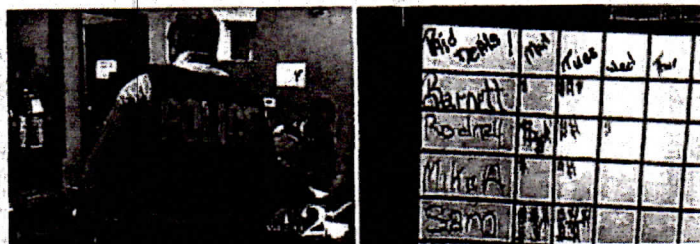
INSIDE THE BOILER ROOM

In an Orlando hotel conference room, a convicted time-share scammer explains how he learned his trade. As he awaited sentencing in the spring of 2016, he agreed to talk to AARP THE MAGAZINE. We’ll call him Jake.

In his 20s, Jake ran an alarm company in the Orlando area, but by 2007, he says, he was deeply in debt. One night he met a guy at a sports bar who told him about his job. “He said he was making thousands upon thousands of dollars a week,” Jake says. “He told me he was in the time-share resale business. At that point, I didn’t know anything about time-share resale. The only thing he told me ahead of time was, ‘We kind of fluff the truth a little bit.’ And I said, ‘I think I’m OK with that.’”

Jake turned out to be a natural. In real life he’s a burly guy with a shaved head. But give him a script to read over the phone and he can be soft-spoken, reassuring and thoroughly charming. “Within a week I knew I was going to

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Orlando police raid a time-share boiler room in 2011. Regulators say the fraud continues but has moved underground to be harder to trace.

be very good at this,” he says.

Jake rose quickly; after a few months, he was managing the room instead of working the phones. Soon, he found himself working as a middle manager in a large time-share resale fraud organization. The pickings were easy: The scammers bought their sales leads from brokers on Craigslist or directly from employees of resort companies who were willing to steal and sell customers’ personal information.

Since the salespeople already had details about the properties themselves, they could concentrate on probing gently with “discovery” questions. “There’s always a reason why they’re wanting to get rid of the property—their spouse has passed away, they can’t afford it anymore,” Jake notes. “You wait and you listen, to hear what they have to say. You find their pain. And then you play off that.”

The script was a variation of an age-old advance-fee telephone con—a “pitch heat,” in boiler room parlance. Representing a marketing company, Jake promised time-share owners that he had an eager buyer lined up for their unit; all he needed was some money upfront for closing costs. “Sellers would pay \$2,000 in a heartbeat to

get \$20,000 for a property,” Jake says. “The worse the economy got, the higher our sales became. I remember in a period of three months putting almost \$500,000 in my pocket.”

Since the victims charged these fees on their credit cards, the scammers needed a way to avoid having to pay back the money once the victims discovered the con. The solution: a phony “verification call.” Once a time-share seller had agreed to pay the title company charges, he or she was told to expect a call to confirm that the charges were authorized.

Jake would coach victims on what to say, explaining that they’d be asked if they understood that the fee was a nonrefundable marketing cost. This, the salesman would explain, was just a formality. The explanation was full of legalese about “estoppel letters” and “right to rescission.”

Usually, it worked. The victim would not only agree to pay the bogus costs but would recite the right answers for the verification call. “The reality is, all we want to do is get them to admit there’s no buyer on a recorded line, to use against them later,” Jake says.

After that, the only remaining chore was to keep the con undetected. “The

longer you push them off, the less chance that their credit card company is going to even allow them to open up a dispute," Jake says. The goal: Keep them on the hook for 120 days.

At that point, the game finally ends. The scammers call the victims one last time with a story about how the buyers dropped out, so there would be no sale. Many victims are angry, but few do anything about it. Only about 10 percent actually file complaints, Jake estimates. "The other 90 percent either feel ashamed and embarrassed that they fell for the scam—or they fall for the scam again and again and again."

Those time-share owners who do try to fight back find that they have few options; too much time has passed since their credit cards were charged. And if they complain to their local attorney general's office, the resale company can counter with a recording of the verification call. Plus, every few months, the company dissolves and re-forms under a new name, with a new website, to erase the trail of angry victims.

Often, Jake and his salespeople wouldn't even bother to acquire fresh leads. "Most of these people have signed up with our company multiple times," he says. "Every time that we would call them back, we'd changed

the name of the company.... But the pitch would be the same."

At his peak, Jake was running three boiler rooms in the Orlando area. In the 30 months he was there, the organization conned more than 80,000 people. Their take: \$24 million.

AFTER THE CRACKDOWN

It was the money that brought them down. Investigators were able to pinpoint the merchant account that processed the credit card payments from tens of thousands of scam victims. On the morning of February 14, 2011, Jake got a call from one of his sales agents. Don't go to work today, he was told.

"I asked him why," Jake recalls, "and he says, 'There's about 22 undercover police officers and the Orlando SWAT team raiding your office.'" Armed with search warrants, authorities seized computers, phone records, documents and scripts for the pitches.

The raids revealed a pyramid-shaped criminal network, with a layer of middle managers such as Jake presiding over multiple satellite offices. "He had hooked himself into a long-running criminal organization," Stevens says. "It had generated a tremendous amount of funds, and that organization was expanding and growing."

In spring 2015, eight of the ringleaders were arrested on federal mail fraud charges. The impact of the crackdown was immediate. According to the Florida attorney general's office, complaints related to time-share fraud plummeted 26 percent. Stevens believes that, in the wake of those big boiler room raids, Orlando's phone-fraud activity is now more dispersed, with smaller operations using untraceable, no-contract, burner mobile phones and working from homes and apartments, rather than rooms full of agents.

Some of the scammers have ditched their time-share scripts and are now pitching different advance-fee schemes, such as fake credit repair and debt consolidation services. Others have simply changed the time-share pitch to be about renting the property, rather than selling.

One reason the frauds continue is that it is relatively easy for scammers to get the names of time-share owners. "Time-share deeds are usually public records. Resale scammers mine public records to find consumers with low-value time-shares," says Olha Rybakoff, senior counsel in the Tennessee attorney general's Consumer Advocate and Protection Division.

"Buying a time-share seems to put you on a list," agrees Hilary Bledsoe, an Orlando Police detective who, along with Stevens, investigates financial crimes. "The list is sold repeatedly back and forth between people, because there are only so many time-shares that are out there.... We have people who have been victims of probably seven or eight different companies."

Nancy Adams knows about being a repeat victim. Last year, she got a call from a firm claiming to be able to rent her time-share. Adams paid it almost \$1,500 and never heard from it again. But then her luck changed. Her original scammer went to prison, the state has reimbursed her for most of what she lost in that fraud, and the resort has bought her unit back. Finally, she says, the good and bad of time-shares are behind her. ■

6 Tips for Selling a Time-Share

1 Ask the resort first. "A lot of resort companies have formal resale programs," says Robert Clements of the trade group ARDA.

2 Know the market. Timeshare Users Group (tug2.net) has lots of information provided by fellow time-share owners; TimeshareInsights.com has practical advice and is run by the author of *Time-share Vacations for Dummies*.

3 Expect little. "Time-shares are a use product," Clements notes. That means that if you've used it over the years, you've gotten the value you paid for. You may not be due any cash back.

4 Put down the phone. If you get a pitch from a stranger that involves any payment from you, hang up, Clements says. "I have not seen anything good come from taking unsolicited telemarketing calls."

5 Prepare yourself. Be sure you are up to speed on the latest scams, as well as on your legal rights and sales choices. Read over your ownership papers, and make sure you are current with all fees.

6 Beware rental scams. They're the newest trend in time-share fraud. The phone pitch is that the caller has someone who will pay big to take your week—if you pay an upfront finder's fee. Always say no.