WHAT HAPPENS TO MY CREDIT SCORE IF I STOP PAYING FOR MY TIMESHARE?

In Financial Tips (No Comments)

Most people love the use they get out of their timeshare, especially during the first few years of ownership. Over time, however, they can become more difficult to use, and the costs and fees often become too expensive to justify or afford. Owners who cannot keep up with their mortgage payments and/or maintenance fees are in a tight spot, and it can feel like the walls are closing in.

At this point, people usually try to sell their timeshare, but the timeshare resale market is so desolate, they are unable to even give away their timeshare. In their desperation, many individuals resolve to stop paying their mortgage and maintenance fees in the hopes the resort will foreclose on the property — alleviating the owner of all financial obligations.

The first part is true: The resort will almost assuredly foreclose on your timeshare. Sadly, this will likely trigger a series of events that could decimate your financial future in one fell swoop.

Late Payments

Not all payment issues result in foreclosure, but late payments will result in penalties and fees — and will also impact your credit score. In some cases, just one missed maintenance fee payment on a deeded timeshare could lead to the resort reporting you to collections, which will result in negative entries on your credit report — as well as harassing phone calls and threatening mail demanding payment.

These entries will stay on your report for at least seven years and can cause real damage if not resolved quickly. In some extreme cases, the court has the right to garnish your wages or file a bank levy on your accounts for missed payments. And, of course, as long as you are not current with your maintenance fees, you will not be allowed to use your annual week(s) or access the resort's rental program — if they have one.

Timeshare Foreclosure

Foreclosed timeshares will likely be sold to the highest bidder at auction, or placed back into inventory with the resort to be resold. While on the one hand, you will indeed be rid of your timeshare, on the other, your credit score will likely take a nosedive. Even if the resort developer doesn't report the foreclosure to a credit bureau, foreclosures are public record, which means these reporting agencies can easily discover your foreclosure and add it to your credit history.

Rebuilding Your Credit Score

Potential lenders (home, auto, student, etc.) take a close look at your credit score when determining whether to grant or deny your loan. In most cases, a foreclosure will lower your score by as much as 100 points — and far often, even more. Usually, higher credit scores will take a more substantial hit, while lower scores will vary. In addition, any past due timeshare-related costs and fees (such as maintenance fees, special assessments, or taxes) could lower your credit score even further.

Credit is cyclical and can be improved through sound financial practices, but a timeshare foreclosure will have lasting effects on your credit and can be difficult to overcome — even for people with impeccable spending and payment habits.

As you work to rebuild your credit score, it will negatively impact your ability to get another loan. In fact, the foreclosure will likely remain on your credit report for at least seven years following the foreclosure and can also lead to exceptionally high interest rates on future purchases or credit cards.

Don't Simply Walk Away From Your Timeshare

Seven years is a long time, especially when your financial stability is at stake. Walking away can seem tempting, especially when you feel like you have run out of options. Remember, your timeshare agreement is a legal, binding contract – that typically is passed down to your heirs – so your best course of action is to transfer your ownership or legally end the agreement.

Your best option to end your timeshare obligation is to work with an experienced timeshare exit company. For a nominal fee, you can put a permanent and legal end to your timeshare ownership obligations. Not all timeshare exit companies are what they appear, so do your research and make sure the company you choose to work with offers a financial protection guarantee.

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Bio: Gordon Newton is a timeshare exit industry expert, the author of The Consumer's Guide to Timeshare Exit, and the President & Co-Founder of Newton Group Transfers. Newton Group Transfers has helped thousands of timeshare owners exit their timeshares for over a decade, and has maintained an A+ rating with the Better Business Bureau during this time. You can learn more about Gordon and his company at NewtonGroupTransfers.com