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Raffles: Real Estate's Latest Game of Chance

By [STEVEN KURUTZ](#)

"AT the time, it didn't seem dumb," said Karen Crawford, in the breezy tone of someone who has been mercifully absolved of the consequences of a very bad decision. "I wonder how many people in America did the same thing."

Two years ago, Ms. Crawford and her husband, Dennis Kelly, moved from their log house in Hancock, Md., to a renovated 1929 farmhouse nearby, which they bought for \$375,000. They put their old house, which they owned outright, on the market, planning to pay for the new one with proceeds from the sale. But the real estate market cooled, and the house sat unsold. Two months after the move, saddled with a costly mortgage, the couple reluctantly put their new farmhouse up for sale; after more than a year, it didn't find a buyer, either. "Soon it was going to go into foreclosure," said Ms. Crawford, a 60-year-old elementary school teacher, a hint of the panic of that time creeping into her voice.

Desperate, Ms. Crawford came up with a novel strategy: she would hold a raffle. Tickets would go for \$100 each, and one lucky person would win the farmhouse. If they could sell enough tickets, they could walk away debt-free.

Last December, the couple teamed with a real estate agent and a local charity and set about publicizing the raffle, posting flyers and calling news outlets. By the time the drawing was held at a local country club this past March, they had sold almost 6,500 tickets, raising enough money to cover the cost of the house along with a surplus of more than \$200,000 that went to the charity. Having already moved back to the log house, they counted themselves lucky to still have a place to live.

"We were so happy because we'd gone on this horrific two-year journey," Ms. Crawford said.

The raffle idea had come to her in a burst of inspiration, she said. But she is not the only homeowner to have turned to some version of this unorthodox approach in recent months. As the economy has worsened and the real estate market has continued to slump, a number of Americans have been using raffles and competitions — latter-day versions of the old rent party, only now with a profit motive for the guests — in a last-ditch effort to raise money and unload a house. And as mortgages have become harder to obtain, some would-be homeowners are being tempted by the chance — a small one, but with better odds than most lotteries — to own a house without dealing with a bank (though the victors must pay taxes on their winnings).

Raffles seem to have become particularly popular in Maryland, where new ones have recently have been announced for homes ranging from a \$550,000 four-bedroom house in Dunkirk to a six-bedroom expanded log cabin in Edgewater valued at more than \$1 million.

"Instead of selling it to one person, we're going to try to sell it 31,500 people," said Tom Walters, who owns

the Edgewater property, referring to the number of \$50 tickets he must sell to cover the house's appraised value, a \$10,000 second prize and earnings for a charity. Mr. Walters, a mortgage broker, bought the house in 2006 and completed a 4,500-square-foot addition in June. But his career has suffered as a result of the mortgage crisis, he said, and it has lately become "impossible" to borrow on the house. "It's been a perfect storm of bad real estate mojo," he said.

A raffle, he hopes, will get more attention than a traditional sale because of its novelty. "We thought, let's be more proactive, rather than just putting it on the market," he said. If it succeeds, he will avoid paying a sales commission to a real estate agent.

Home raffles are hardly an easy proposition. Gambling regulations in many states make holding a private raffle for a house or land illegal unless the homeowner has a nonprofit organization as a partner, and the homeowner cannot make more than the appraised value of the house. (Some states, including New York, forbid even nonprofits from raffling off a home.)

Ms. Crawford worked with the San Mar Children's Home, a charity based in Boonsboro, Md., that operates group homes for adolescent girls. San Mar entered into a contingency contract for the farmhouse, under which it would pay for the house with raffle earnings only if those earnings reached a certain level, and then oversaw the drawing.

Bruce Anderson, the chief executive of San Mar, said he had to get approval from the state of Maryland to hold the raffle, and that he was required to notify officials of the minimum and maximum number of tickets he planned to sell (5,000 and 7,000, respectively), as well as the date of the drawing.

The raffle was a success: San Mar made a \$214,000 profit beyond the price of the farmhouse and associated other costs, like advertising. But if the minimum number of tickets hadn't been sold by the final drawing date, the organization would have been obligated to refund everyone's money, and the couple would have been back where they started.

Some homeowners who have considered raffles find the red tape daunting. Last summer, Bernadette Grieves, a passenger agent for an airline who lives in Peabody, Mass., looked into holding a raffle for her five-bedroom colonial, which she's been trying to sell for nearly three years. Ultimately, she decided to continue with conventional methods. "It does sound great," she said of the raffle idea, "especially because the market is horrible. But there's a lot of work to it."

Others, though, are finding creative ways around the rules. Julie Sigwart, a Web designer, is holding what she calls a "skills contest" to give away her six-bedroom, four-bathroom house with ocean views in Maui, which she has been trying to sell since last October.

As in the raffle for Ms. Crawford and Mr. Kelly's home, she will charge a \$100 entry fee, but participants will have to write an essay — the theme is "Aloha, what does it mean to you?" — which will be judged by a group of "prominent members of the community," she said. (The judges have yet to be finalized.) Because the contest isn't a game of chance, state approval is not required, and teaming with a nonprofit group isn't necessary.

Ms. Sigwart has wanted to downsize for more than a year, and has repeatedly marked her house down, from \$729,000 to \$600,000. But the market in her area is terrible; she recently attended an open house in a nearby neighborhood and was the only person there. After a contract on her house fell through in August, her husband suggested the contest, and she created a Web site for it this week. Asked when she hopes to begin the contest and declare a winner, she replied, "As soon as possible on both counts."

Scott Bernard, a marketing consultant and another frustrated seller, is also holding a skills-based contest, although the word "skills" in this case might be generous. Each contestant vying for his remodeled, one-story ranch house in Sebastian, Fla., which he bought in 2005 for \$217,000 and renovated for \$30,000 in hopes of flipping it, must submit a \$49 entrance fee and a copy of a black-and-white line drawing that he or she downloads from a Web site and colors by hand. Three judges (a Philadelphia artist, a local business owner and a former mayor of the town) will pick the top 20 entries based on "creativity," and those images will be posted online so the public can pick a winner, "American Idol"-style.

The line drawing shows two dancers; it's meant as an homage to Support Dance, a nonprofit in Lake Worth, Fla., that Mr. Bernard has decided to work with even though he is not legally required to. Teaming with a charity allows him to feel that the project is "not just about Scott Bernard getting rid of his house," he said, and he will set aside \$2 from every entry for the organization.

Mr. Bernard's motives are not entirely altruistic. Hoping to turn the contest into a business, he and a partner created the Web site where the drawing is posted, howtowinmyhouse.com, in July, with the idea that it could become a clearinghouse for real estate giveaway contests. (A site focused on raffles around the country, usahomeraffle.com, was also started in July, by two Maryland entrepreneurs.) Since Mr. Bernard's own contest was announced by a local newspaper that month, he said, "I've been working the local market, doing radio and newspaper interviews."

Spreading the word is crucial to the success of such contests, according to those who have held them, as is promoting them beyond the local area. (Almost everyone who raffles a home sets up a Web site that accepts on-line orders.) But desperate homeowners should not count on being able to match the publicity given to Ms. Crawford and Mr. Kelly's raffle: After a local newspaper wrote an article about it, it was mentioned on CNN on [Super Bowl](#) Sunday.

"We sold 1,500 tickets that day," said Mr. Anderson of the San Mar Children's Home, who has since fielded so many requests for information that he will hold a how-to workshop in Baltimore in November. The success of that raffle seems to have inspired many sellers, particularly in Maryland. Still, he said, "if you study this you'll find that the majority of time it's not successful."

Mr. Walters said he has sold around 2,000 tickets in the raffle for his Edgewater, Md., house, including several to Asian buyers after a South Korean newspaper picked up the story. He had planned to hold the raffle this Saturday, but will almost certainly postpone it, given how far he is from meeting his minimum goal, selling 31,500 tickets.

Mr. Bernard's coloring contest has drawn just 34 paid entries so far, two months into a submissions period that ends on Dec. 17 or whenever he receives the planned maximum number of entries, 5,900. (Attracting participants to a skills-based contest rather than a raffle can be more difficult because participants are

required to do more than simply buy a ticket.)

Even for the contest winners, there can be serious complications, as Dennis Weaver, a county clerk who took a \$100 chance and won Ms. Crawford and Mr. Kelly's farmhouse, discovered. Mr. Weaver had to take out a mortgage to pay the \$135,000 in taxes on the prize, and has since decided to sell the farmhouse, returning it to the languishing real estate market. He held an auction, but there were no bids. Then he listed it with the real estate agent who helped orchestrate the raffle, asking, he said, in the high \$200,000 range. One deal fell through, and now he is in contract with another buyer.

If the farmhouse doesn't sell this time, maybe its new owner can hold a raffle.

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