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Getting an F in Flipping

Posted by: Chris Palmeri on December 24, 2007

I got a call recently from a woman with a wild tale about a real estate investment she'd made as part of her studies at business school. Jill Bigelow said she was studying for an MBA at the University of Southern California and decided to flip a house as sort of a senior thesis.



Bigelow, that's her with her husband Gabe above, bought a house in Los Angeles' Hollywood Hills for \$950,000 in March of 2005 and spent another \$335,000 fixing it up. She listed the home in July of 2006 but on day of the open house a strange odor started wafting across the property. Raw sewage began leaking over the side of the garden walls. It turned out a 50 year old underground pipe that Bigelow didn't even know existed had ruptured. The pipe didn't actually serve her house. It served her neighbor who had an easement and who promptly sued Bigelow to get it fixed.

Bigelow ultimately sold the house for \$1.5 million, \$200,000 less than she planned and just in time because the market turned. After commissions she figures she just broke even, but that's not the end of the story. She's now embroiled in litigation with her title insurance company which she says was legally bound to defend her against claims on the land. Lawyers costing \$500 an hour have eaten up much of her remaining savings.

Bigelow says the story illustrates how worthless title insurance is because insurers would rather fight than pay claims. We don't disagree. It certainly is one expensive lesson.