

BUSINESS

TODAY'S FOCUS IDEAS

STATUS UPDATE: Teachers can't afford to buy 91 percent of O.C. homes. **Business 2**

Obamacare now on your lunch check

Some eateries – none in O.C. yet – add health care surcharge to diners' bills.

BY LILY LEUNG and NANCY LUNA
STAFF WRITERS

A French restaurant in Los Angeles and a chain of casual eateries in Florida have stirred yet another tempest in the Obamacare teapot by adding health care surcharges to customers' bills.

Orange County restaurant owners are holding off, for now.

Proprietors of both restaurants have levied 1 percent to 3 percent fees to ready themselves for new health care costs on the horizon. By January 2016 small businesses with 50 to 99 employees will have to cover 95 percent of their full-time employees with health insurance or pay a fine, under the Affordable Care Act, aka Obamacare. Businesses of that size were expected to comply this year until the mandate was delayed.

Republique in Los Angeles has added a 3 percent fee it calls "Surcharge Healthy LA." Not long after, eight locations of Gator's Dockside in central Florida followed suit with a 1 percent "ACA" fee.

The fees have drawn a lot of attention, good and bad, through social media and now have the attention of several Orange County restaurateurs.

Local eateries would be reluctant to pass on such a fee to diners, said Russ Bendel Jr., president of the Orange County chapter of the California Restaurant Association.

"I do think on a personal level it might be a little tacky," said Bendel, who owns the Vine in San Clemente. "I personally wouldn't want to put that on a check and leave that impression on a guest."

One Republique customer on the review website Yelp agreed in a Jan. 21 post on her dining experience.

"Something about this strikes me as

SEE SURCHARGE • PAGE 3



A restaurant in Florida has added an ACA surcharge to diners' bills.

COURTESY OF GATOR'S DOCKSIDE



CINDY YAMANAKA, STAFF PHOTOGRAPHER

Chris Espinoza, 31, of La Habra used to be without a bank account. He got the American Express Bluebird prepaid card to save money on online purchases for sound equipment, pictured at his home, silk screening materials for his business and more.

PREPAID CARDS EVOLVE

General-purpose reloadable cards are allowing people to function as if they have a traditional bank account.

Chris Espinoza was having a hard time making purchases or paying bills online because he didn't have a bank account.

"Nobody wanted to give me an account," said Espinoza, now 31. The La Habra resident explained that being financially reckless during his youth "messed me up."

"Doing everything with cash was hard," he said.

During a visit to Walmart about a year ago, Espinoza found his banking workaround in the Bluebird prepaid card. Offered by the mega-retailer and American Express – it allows users to function as though they have a bank account, providing services through its mobile app such as direct deposit, online bill pay and check deposits.

Espinoza was not alone in his banking woes. According to the Federal Deposit Insurance Corp., more than a quarter of U.S. households either do not have traditional bank accounts or they do but use al-

ternative financial services anyway.

Many people are turning to general-purpose reloadable prepaid cards, which function like debit cards, minus the checking account. The cards can be used to withdraw cash at ATMs and for purchases online and at retail cash registers. Sold at retailers, banks and online outlets, the cards are branded with a payment network logo, such as American Express or Visa, and can be used wherever that brand is accepted.

In some cases, these cards offer lower and fewer fees than basic checking accounts, according to a recent report by the Pew Charitable Trusts. But consumers can incur incremental fees for buying certain cards, loading them with money or even not using them.

Prepaid cards have enjoyed some of the biggest growth in servicing the so-called financially underserved in recent years.



MARNI USHEROFF
STAFF WRITER

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TIPS FOR PREPAID CARDS

Prepaid cards offer myriad features, so make sure you choose one capable of what you need it to do. Ask about the least amount of money required to make a direct deposit, track your balance, and remember that a prepaid card won't help you build a credit record.

Avoid using a prepaid card to buy gas at the pump or pay for hotel rooms or rental cars. These businesses can put extra holds on your card for a certain amount of time, and you won't be able to access all of your money.

Before choosing a card, compare the following:

- What it costs to buy and use a card.
 - Fees for withdrawing and depositing money, paying bills, checking your balance or making a direct deposit.
 - Fees for not using a card often enough.
 - Fees to use the "credit" instead of "debit" option or a signature instead of a PIN.
 - Monthly and customer service fees.
 - Ask if there are any other fees.
- If it's hard to find out about fees for a card, think twice about buying it.

Source: Consumers Union

MORE INSIDE



FED KEEPING WATCH

Federal Reserve chief Janet Yellen, left, said the Fed is looking closely at recent, disappointing economic data as it considers how quickly to retreat from its economic stimulus campaign. **Page 3**

S&P 500 HITS RECORD

The Standard & Poor's 500 index closed at a record high, turning positive for the year. The index increased 0.5 percent to 1,854.34, while the Dow added almost 75 points. **Page 4**

CYBERSECURITY FOCUS

Attorney General Kamala Harris makes cybersecurity a focus as California data breaches hit 21.3 million accounts. **Page 4**

Cox consolidation might cost 650 jobs

Cable and Internet provider will close call centers in O.C. and San Diego.

Cox Communications is consolidating call centers and will lay off as many as 650 people in Rancho Santa Margarita and San Diego.

The move by the Atlanta-based cable and Internet service provider reduces the number of Cox call centers from 19 to seven. The remaining locations will grow to accommodate more people. In San Diego, 500 are being let go; the rest are in Orange County.

Cox said its systems have standar-



IAN HAMILTON
STAFF WRITER

dized, and the two California locations couldn't handle an expansion required by the consolidation. A Cox representative said that customer calls for help should be answered more quickly and that people won't have their calls transferred to different geographical divisions to get a question answered.

After the reduction, Cox will have about 2,000 employees in areas of California where it provides service, such as south Orange County, San Diego,

Santa Barbara and Rancho Palos Verdes.

Verizon plans to close an Irvine call center in May and relocate as many as 1,000 employees.

The Cox closures begin with Rancho Santa Margarita in May and conclude with San Diego in September. The company said it would provide relocation packages of about \$15,000, after taxes, to people who find an open job at a different location – the nearest of which is Las Vegas. Severance packages start at eight weeks of pay for less than a year of service.

MARKET RECAP



Dow Industrials
Close: 16,272.65
Change: +74.24



Nasdaq Index
Close: 4,318.93
Change: +26.87



S&P 500 Index
Close: 1,854.29
Change: +9.13



10-year Treasury:
Close: 2.65%
Change: -0.02



Oil per barrel:
Close: \$102.40
Change: -\$0.19



O.C. gas prices:
Gallon: \$3.896
Change: +0.014

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Casual Friday?

No way.

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Fed monitoring recent, weaker economic data

SURCHARGE

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tacky," says Lisa T. of Los Angeles. "Sure, I could take this 3 percent out of my 20-percent tip, but why put me in that position to begin with? A bit silly for such an otherwise upscale experience."

Passing the added health care costs on to customers is a necessity for some operations, whether or not it shows up on the bill as a surcharge.

Orange County restaurant operator Mario Marovic says the Affordable Care Act is another government mandate that erodes razor-thin profits in an industry facing a slow post-recession recovery and rising commodity costs.

"There's going to have to be some inflationary (costs) whether it is a line item on the receipt or built into the ticket price," he said.

For now, however, Marovic doesn't plan to pass those costs to his customers. He owns seven local restaurants and watering holes, including Wild Goose Tavern in Costa Mesa, Hopscotch in Fullerton, and the District Lounge in Orange and Newport Beach.

"My take is we're not going to do it," he said of any immediate surcharge. "I really do feel for both restaurant owners, as well as customers. Everyone is really the loser here."

Joe Manzella, who operates Taps Fish House & Brewery in Brea and Corona and The Catch in Anaheim, said ACA and minimum wage combined will cost him nearly \$1 million more per year. When Obamacare kicks in next January for his restaurants, Manzella said he will seriously consider a surcharge of at least 1 percent or 2 percent.

"This is a major frontal assault on your ability to run your business," he said. "It's not something we love to do. I have to figure a way to survive and grow my business."

The passing off of costs is a "food chain" domino effect that goes from suppliers to restaurants to diners, he said. "You are either going to know about (increases) by a 1 or 2 percent (surcharge,) or your filet goes up," he said. "And, I'm talking - it goes up, not just 50 cents."

The latest fees recall memories of a similar effort launched by San Francisco restaurants in response to a city program aimed at bringing subsidized medical care to the uninsured. The city attorney's office found that a sizable portion of the money collected was not being spent on employee health expenses, sparking a crackdown.

That's not to say surcharges have completely disappeared from San Francisco, said Scott Hauge, president of Small Business California. Restaurants there are still tacking on fees, but they're now pointing to the general higher cost of doing business as the reason.

"Nobody is saying Obamacare," Hauge said. "The Obamacare (surcharge) is the next generation."



MARK WILSON, GETTY IMAGES

Janet Yellen said the Fed needs to know what data "can be explained by weather and what portion is due to a softer outlook."

Recovery

When will we get a clearer picture of the recovery? The answer is unlikely to emerge before the Fed's policy-setting committee meets again in March. But Yellen reiterated that the winding down of the Fed's stimulus program is "not on a preset course." And that's another way of saying that tapering the taper - or stopping it altogether - is not off the table.

Still, investors took heart from her comment that the Fed was concerned about the weaker economic data and watching to see if the slowdown was temporary or persistent.

In prepared testimony she gave two weeks ago to a House committee and on Thursday to the Senate panel, Yellen said that the job market's recovery is "far from complete" and that she expects Fed policies to favor low interest rates "for quite some time."

Most economists say they expect the Fed to stick to its plan for a steady reductions in bond purchases unless the economy significantly weakens in coming months.

"The market is hopeful that they can count on her not to be too aggressive in tapering bond purchases," said David Jones, chief economist at DMJ Advi-

sors. "But in essence, she said she was not going to deviate from the policy course that has been set in terms of reductions in bond purchases."

Yellen's appearance Thursday completed her first twice-a-year report to Congress since becoming Fed chief this month. Her Senate appearance had been postponed by a snowstorm that shut federal offices in Washington on Feb. 13.

In both her House and Senate appearances, Yellen sought to emphasize policy continuity with her predecessor, Ben Bernanke, who stepped down last month after eight years as chairman. Yellen said that she, like Bernanke, believes the economy is strengthening enough for the Fed to gradually scale back its bond purchases.

The Fed has cut the pace of

its purchases at its two most recent meetings. It reduced the original \$85 billion monthly pace in December and again in January in \$10 billion steps to \$65 billion.

Many economists think that as long as the economy keeps improving, the Fed will keep cutting the bond purchases by \$10 billion at each meeting this year until ending the program in December.

The Fed has stressed that it's standing by a plan to keep a key short-term rate at a record low near zero for an extended period. At the past two meetings, it has said short-term rates will likely remain low "well past" the time unemployment drops below 6.5 percent. The unemployment rate is 6.6 percent.

Many economists think the first rate hike won't occur until late 2015. But minutes of the Fed's last meeting showed that "a few" policymakers felt it might be appropriate to make the first move to raise short-term rates "relatively soon."

The Fed has held its benchmark for short-term rates near zero since December 2008.

The discussion revealed in minutes of the Fed's Jan. 28-29 meeting, released last week, drew the attention of financial markets. The "few" Fed officials who raised the possibility of a rate hike weren't identified.

But some Fed officials have worried that the efforts to provide support for the economy through trillions of dollars in bond purchases and ultra-low rates could eventually spark inflation pressures.

But economists think this Fed group remains in the minority. Yellen and many other Fed officials say the economy needs support from the Fed until the job market and economic growth improve further.

They note that inflation remains well below the Fed's 2 percent target.

Investors see hints by Yellen that stimulus efforts may be stepped up.

THE ASSOCIATED PRESS

Federal Reserve Chair Janet Yellen noted Thursday that recent economic data have pointed to weaker-than-expected gains in consumer spending and job growth. She said the Fed will be watching to see whether the slowdown proves only a temporary blip caused by severe winter weather.

Yellen's comments encouraged Wall Street. Investors read the remarks as offering at least a hint that the Fed might slow or suspend a pull-back in its economic stimulus if the economy faltered.

"We have seen quite a bit of soft data over the last month or six weeks," Yellen said, citing job growth, housing, retail sales and industrial production.

She said the Fed needs to "get a firmer handle on exactly how much of that set of soft data can be explained by weather and what portion, if any, is due to a softer outlook."

In her remarks to the Senate Banking Committee, Yellen repeated the Fed's previous assurances that its pull-back in its bond purchases is "not on a preset course" and could be modified if there was a "significant change" in the Fed's outlook. The Fed is gradually reducing its monthly bond purchases, which have been intended to keep long-term loan rates low to encourage spending and growth.

Yellen said that while she was open to adjusting the pace of the Fed's reductions in bond purchases, "I wouldn't want to jump to conclusions" that such a change will be needed.

PREPAID

FROM PAGE 1

Products aimed at that market generated some \$89 billion in fees and interest domestically in 2012, according to the Center for Financial Services Innovation. It found that general-purpose reloadable prepaid cards captured \$1.6 billion in revenue that year, a 28.5 percent increase over 2011. Additionally, consumers loaded more than \$64 billion onto these cards in 2012, according to the Mercator Advisory Group.

All that money has the U.S. Postal Service eyeing the prepaid card market. The cash-strapped agency released a report in January proposing its branches provide non-bank financial services including reloadable prepaid cards to its customers.

How did the underserved marketplace become so big?

"There are a number of forces at work," said Christina Tetreault, staff attorney at Consumers Union, the policy and action division of Consumer Reports. She cited fallout from the financial crisis that tarnished some consumers' credit to the point they no longer qualified for credit cards and bank accounts.

"Another piece is the innovation going on, and a lot of the products are more versatile than a traditional bank account," Tetreault said.

"The underserved market is huge, and unfortunately poor people have had to spend a lot of money for banking-like services," she added. "But now with increased competition, the cost to consumers is coming down."

BUILDING BETTER FINANCIAL HABITS

Some of the Bluebird card's features exhibit the hallmarks of this innovation in the prepaid card market.

- The card allows users to designate funds for savings by funneling them into a linked "SetAside Account" -



CINDY YAMANAKA, STAFF PHOTOGRAPHER

Chris Espinoza's girlfriend urged him to look into a Bluebird prepaid card.

a kind of buffer against unintentional spending. Tetreault said there is some evidence people are using such linked tools for budgeting.

- Another feature is Bluebird checks - a stack of paper checks that cardholders can order for a fee - roughly 50 cents per check. Users must preauthorize each check online or with the card's mobile app to avoid an overdraft. Tetreault compared the 50-cent check with a money order, which at the post office costs \$1.20, the lowest price available. Added to that is the time saved by skipping a trip to the post office.
- Bluebird also has online bill pay, which allows users to pay individuals and merchants in the U.S. with checks and electronic payments sent through their account or the app.

Mobile-phone providers also are offering prepaid cards with payment management apps. Sprint's Boost Mobile debuted its Mobile Wallet last spring, and T-Mobile unveiled Mobile Money last month.

This is an emerging trend, according to Adam Rust, research director for consumer advocacy group Reinvestment Partners. "Companies like T-Mobile that have an existing customer base and a limited financial relationship with them basically collect one payment a month," Rust said. "But they can use this prepaid card as a cross subsidy to enhance their main business."

Rust said that companies like T-Mobile will also be able to leverage their physical stores, identifiable brands and accompanying apps on customers' mobile devices to win market share from other players.

BUYER BEWARE

A critical caveat to prepaid cards is that consumer protections haven't kept pace with all the innovation, Tetreault said.

"We'd like to see mandatory FDIC insurance for all prepaid card accounts and the same protections against fraud and loss that apply to debit and credit cards," she said. For now those protections are provided voluntarily for prepaid cards - but not by law.

With FDIC insurance, prepaid cards are eligible to receive federal benefits like Social Security payments. Consumers also benefit because their money is safe if the company goes out of business.

Comparison shopping prepaid cards also can be difficult due to a lack of uniform disclosures. And some fee breakdowns are very complex - a problem throughout the alternative financial services sector, Rust said.

"There are so many different kinds of fees for a consumer it becomes really hard to know how much you're likely to spend, especially if you get a pay-as-you-go card," Rust said.

Chris Espinoza likes that his Bluebird card doesn't have many fees and continues to use it even though he now has a checking and savings account. "I still use it for online purchases, eBay, online bills, stuff like one-time purchases."

Indeed, almost half of households without bank accounts that have used a prepaid card say they're likely to open an account in the future.

"They don't have to be a dead end," Rust said.

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