Welcome Spring

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• Get help filing your taxes
• Understand service contracts
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We at the Department of Consumer Affairs continue to focus our efforts on the new Consumer Protection Enforcement Initiative, a major commitment to protect consumers from healing arts professionals who do not meet State standards. However, our commitment to consumer protection extends to other areas as well.

The articles in this issue of Consumer Connection reflect – as always – a recognition that the challenges California residents face cover many aspects of their daily lives, from food, to cars, to the always popular taxes.

Here’s a look at what’s in this issue:

On the food front, we take a look at the dates you find on just about everything you buy at the grocery store. What’s the difference between “sell by” and “use by” and who decides?

Even in a difficult economic climate, people still have the itch to start their own business. You can scratch the itch with resources to help you decide if you have what it takes, and tips on easing into the business world if you’re not sure.

Anyone who’s purchased a TV, computer, or home electronic device lately is familiar with the question the sales rep always asks: Do you want to purchase a service contract with that? We weigh the pros and cons of service contracts and offer tips on how to find a reputable electronic and appliance repair shop from one of DCA’s entities.

As you read this, you may be staring down the deadline for filing your State and Federal income tax returns. Not to worry. Check with the experts on our resource list to see if you’re eligible for free or low cost (and face-to-face) assistance. If you decide to hire a tax preparer or CPA, be sure to check that person’s credentials. We’ll tell you how.

Other articles in this issue include how to avoid current scams such as pop-up scareware on your computer or bogus text messages on your phone, how a stolen GPS can lead crooks to your home, and how to spot scammers who bilk pet owners by claiming to have their lost dog.

Also in this issue, we’re pleased to announce the release of the 2010 version of the popular California Tenants: A Guide to Residential Tenants’ and Landlords’ Rights and Responsibilities. Information on how to have printed copies mailed to you at no charge is included. California Tenants is also available online at www.dca.ca.gov.

We hope you find these articles valuable. Information in Consumer Connection is intended to equip consumers with the tools they need to make smart decisions in all aspects of their daily lives. A well-informed consumer is a very powerful force.

Brian J. Stiger, Director
California Department of Consumer Affairs
The Dating Game

Determining freshness takes more than a just a glance

Shopping for food can be complicated. There are nutrition labels to read, prices to compare, and packaging dates to check. The dates may be accompanied by terms such as “Best by,” “Use by,” or “Best before.” They all mean the same thing, right?

Not necessarily, according to the U.S. Department of Agriculture’s Food Safety and Inspection Service (FSIS). There is no uniform or universally accepted system used for food dating in the United States, says the FSIS. California and Federal laws require dates only on baby formula, on certain baby foods, and on perishable foods such as meat, poultry, eggs, and milk. Manufacturers voluntarily place packaging dates on other foods to ensure freshness and to help grocers rotate store stock.
If a voluntary date is used, it must include a phrase such as “Best before” or “Best if used by.” Many consumers interpret a “Best by” date as an expiration date and discard food that has passed that date. That may not be necessary. For example, “Best by” dates on canned foods are recommendations for best flavor or quality. They are not intended as expiration dates, according to the FSIS. In general, high-acid canned foods such as tomatoes, grapefruit, and pineapple can be stored for 12 to 18 months; low-acid canned foods such as meat, poultry, fish and most vegetables will keep two to five years — if the can remains in good condition and has been stored in a cool, clean, dry place, says the FSIS.

Consumers who purchase foods before the date printed on the package can be assured the food is at peak quality. Once the food is in your home, however, the date may be meaningless. For example, we all know that milk left on the kitchen counter all day will be spoiled, even if the date on the carton is still a week away. In that instance, the sniff-but-don’t-taste test may be more useful.

Learning the language of labels
Here’s a look at the most commonly used food dating terms and what they mean, according to the FSIS.

“Best if used by” (or “Best before” or “Best by”) – this date tells consumers how long a product is at peak flavor or quality, as determined by the manufacturer. It is not a purchase or a safety date.

“Sell by” – This date, also called the “pull date,” tells grocers how long to keep the product for sale on store shelves. Consumers should purchase the product before the “sell by” date.
“Use by” or “Expires” – This is the latest date recommended for using the product at peak quality, as determined by the manufacturer. Baby formula and baby foods should not be used after the “Use by” date.

California law does not explicitly ban the sale of expired food. Last year, however, the California Attorney General’s Office sued a retail drug store chain alleging that the sale of expired infant formula, dairy products, and eggs at its stores were violations of State laws against false advertising and unfair business practices. In a settlement, the company agreed not to sell expired food products, but denied any wrongdoing.

Reading labels for perishable foods

Milk – All milk containers offered for sale by a retail store must have a clearly marked “Sell by” date, according to the California Department of Food and Agriculture (CDFA). Milk will be fresh up to and including that date if it has been stored at the proper temperature of 38 to 40 degrees, says CDFA. To be safe, experts advise storing milk in the coldest area of the refrigerator (usually at the back) instead of on the door which can be four to five degrees warmer.

Eggs – The “Sell by” date on the carton can be up to 30 days after the eggs are packed in the carton. The U.S. Food and Drug Administration (FDA) recommends that consumers store eggs in the refrigerator in their original carton and use them within three weeks of purchase for best quality.

Fresh meat or poultry – Fresh meats such as beef, veal, pork, or poultry have fairly short storage times in the home refrigerator, says the FDA. The FDA recommends consumers cook or freeze fresh meats before the “Use by” date. Keep poultry, fish, and ground meat in the refrigerator no more than one or two days after purchasing it. Steaks, chops, and open packages of lunch meats can be stored in the refrigerator for three to five days. For a detailed chart of recommended refrigerator storage times, see the USDA Fact Sheet on Food Product Dating at www.fsis.usda.gov/Fact_Sheets/Food_product_Dating/index.asp.

Bread and other baked items – Bread, rolls, and other baked items will often have a “Best by” date on the bag or twist tag. The date usually indicates how long the bread will last until it becomes stale. However, under the right conditions (warmth, moisture, and presence of spores), bread can become moldy no matter what the printed date is. The FSIS recommends discarding any bread or baked product that has mold on it.
Preventing food-borne illness

Even if your food is within its freshness date, you may not be safe from food poisoning. The U.S. Centers for Disease Control and Prevention (CDC) estimates that food-borne disease causes 76 million illnesses in the United States each year, including 5,000 deaths. Consumers can reduce their risk of becoming ill by following safe food-handling and preparation techniques at home. Experts focus on four steps:

**Clean** – Wash your hands and food preparation surfaces often. Rinse fresh fruit and vegetables under running water.

**Separate** – Don’t cross contaminate foods. Keep raw meat, poultry, seafood, and eggs away from ready-to-eat fresh foods.

**Cook** – Cook foods to the proper temperature to kill bacteria. Use a food thermometer to be sure. The USDA lists the following safe minimum internal temperatures: ground beef, veal, lamb, and all cuts of pork, 160 degrees; whole or parts of chicken or turkey, 165 degrees; beef, lamb, veal steaks, roasts, and chops, 145 degrees.

**Chill** – Refrigerate perishable foods, prepared foods, and leftovers within two hours, or within one hour if temperatures are over 90 degrees. Bacteria can grow quickly at room temperature.

More consumer tips on food safety are found on the new consumer-friendly Federal Web site, [www.foodsafety.gov](http://www.foodsafety.gov). In addition to tips on preventing food-borne illness at home, the site also contains alerts and information on food safety recalls.

For questions about food-borne illnesses, call the CDC at (800) CDC-INFO or (800) 232-4636. For specific questions about meat, poultry, or egg products, call the USDA Meat and Poultry Hotline at (888) MP-Hotline or (888) 674-6854.
The USDA Food Safety and Inspection Service has tip sheets on its Web site that address topics such as defrosting frozen foods, keeping food safe during power outages, and using food thermometers. Go online to [www.fsis.usda.gov/Fact_Sheets/index.asp](http://www.fsis.usda.gov/Fact_Sheets/index.asp). Some materials are available in Spanish.

The Food Safety Program of the California Department of Public Health also has guidelines for consumers on preventing food-borne illnesses. Find it online at [www.cdph.ca.gov/programs/Pages/FDB%20Food%20Safety%20Program.aspx](http://www.cdph.ca.gov/programs/Pages/FDB%20Food%20Safety%20Program.aspx). Food recalls are also listed on the site.

“Food Insight,” a Web site sponsored by the International Food Information Council Foundation, has food safety information for consumers online at [www.foodinsight.org](http://www.foodinsight.org).

If you think you have food poisoning or an allergic reaction to food, call your doctor. If you suspect restaurant food made you sick, you should also call your county health department to report it. You can find the number in your local phone directory under “County Government.”

Most of all, don’t forget the tried-and-true guiding principle for safe food handling: When in doubt, throw it out.
Odometer fraud cheats car buyers

According to the National Highway Traffic Safety Administration, consumers lose billions of dollars each year from odometer fraud. And the problem is growing. In fact, odometer fraud is up 57 percent in the past four years, according to CARFAX, a company that provides vehicle history reports. The problem is more common in newer cars that have accumulated high mileage in a short time. Making miles disappear increases the car’s value to the seller, but can mean higher maintenance and repair costs to a buyer, according to the Better Business Bureau.

It may take an expert to tell for certain, but there are clues a car buyer can look for that may indicate a used car's odometer isn’t accurate. Here are some potential red flags from automotive experts and consumer advocates:

- Lower mileage than expected. An odometer reading lower than the average of 12,000 miles a year may be suspicious.
- Screws or other parts missing around on the dashboard close to the odometer.
- Numbers on the mechanical odometer that that are not aligned.
- White or silver spaces between the numbers on mechanical odometers on General Motors vehicles. (The spaces should be black.)

- An asterisk or some type of symbol on the dashboard for a car with a digital odometer.
- Worn tires. Original tires last about 60,000 miles. If the odometer shows 30,000 miles, the tires should look relatively new.
- Worn floor mats, seats, and brake and gas pedals. The level of wear should be appropriate to the mileage.
- Duplicate title documents. This type of fraud is called “title washing.” It occurs when the owner requests a duplicate title from the Department of Motor Vehicles, then alters (or “washes”) with false odometer numbers.

Consumers can find out the facts about a car’s mileage by purchasing a vehicle history report from one of several commercial sites. You can find a list of vendors online by searching for “vehicle history report.” You will need the car’s VIN number for the search. Expect to pay $25 to $35 for a report.

If you suspect that the odometer has been rolled back or tampered with on a car you purchased from a used car dealer, you can file a complaint with the Department of Motor Vehicles. Complaints must be in writing. Visit www.dmv.ca.gov for details.
2010 Census

Be counted, not scammed!

With the 2010 U.S. Census under way, the Better Business Bureau (BBB) is advising residents to be cooperative, but cautious, to be sure they don’t become a victim of fraud or identity theft.

During the U.S. Census process, all households in the United States will be mailed a short form to fill out. You should answer the 10 questions on the form and mail it back in the postage-paid envelope. If you don’t mail the form back, you will be contacted at your home by a Census worker who will ask you the same questions on the form.

Unfortunately, people may also be contacted by scammers who are impersonating Census workers in order to gain access to sensitive financial information such as Social Security, bank account, or credit card numbers.

Here’s how to tell if a U.S. Census worker is legitimate:

• Census workers will have a photo ID badge, which has a U.S. Department of Commerce watermark and an expiration date. Ask to see their identification and their badge before answering any questions.

• Census workers will ask you only the questions on the Census form. Do not give your Social Security number, credit card, or banking information to anyone who claims to be from the U.S. Census. The Census does not collect that information.

• Census workers will not ask for donations.

• Census workers may contact you by telephone, by mail, or in person at your home. They will not contact you by e-mail, so any e-mail that claims to be from the U.S. Census Bureau is fake.

For more information, visit http://2010.census.gov/2010census

The U.S. Constitution requires that a national census be conducted every 10 years. The Department of Consumer Affairs is one of the partners assisting the Census Bureau in this year’s effort.
New to DCA

Bureau for Private Postsecondary Education

Job losses and the changing needs of industry are sending many people back to school to train for new careers to enhance their skills. In fact, 12 percent of workers in a November CareerBuilder survey said they planned to head back to school to make themselves more marketable in 2010. With State budget cuts limiting enrollment and classes at many California public colleges, some potential students may be considering a private school.

If that's you, you'll be encouraged to know that California has re-established its oversight of private, postsecondary schools after a two-and-a-half year gap. The new Bureau for Private Postsecondary Education (BPPE), established in January 1, 2010, is charged with making sure private, postsecondary schools meet the State's educational quality standards, and follow rules on placement claims, refund policies, and other matters. Private colleges accredited by the Western Association of Schools and Colleges (WASC) are exempt from BPPE oversight. That includes many private degree-granting colleges. (A full list of WASC-accredited schools is available online from the California Postsecondary Education Commission. Go online to www.cpec.ca.gov.) Also exempt are religious schools, law schools, test preparation schools, and schools that charge $2,500 or less for their programs. That leaves about 2,000 private postsecondary schools, many of which focus on specific careers.

The Bureau also maintains the Student Tuition Recovery Fund (STRF) that can help students whose schools close before they've completed the program. Information about the fund and options for students whose school has closed is available online at www.bppe.ca.gov.

By July, the Bureau expects to have an online database of information on all private, postsecondary schools in California under its jurisdiction. In the meantime, the Bureau offers links to other resources on schools and financial aid. Go online to www.bppe.ca.gov (click on the “students” tab). Also included are questions to ask before deciding on a college. The most important question is: Which career is right for you? For help figuring out that answer, go online to www.cacareerzone.org.

Bureau for Private Postsecondary Education
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West Sacramento, CA 95798-0818
Phone: (916) 574-7720
Web site: www.bppe.ca.gov
E-mail: bppe@dca.ca.gov
Whether it’s the lure of being your own boss, the hope of making millions from an innovative idea or invention, or simply the desire to supplement current income, many people dream of having their own business. In 2008, there were more than 30 million small businesses in the United States, according to U.S. Small Business Administration’s (SBA) Office of Advocacy estimates.

The SBA’s Office of Advocacy defines a small business for research purposes as an independent business having fewer than 500 employees. The Small Business Act and the SBA have established size standards usually stated in number of employees or average annual receipts, which vary according to industry. Learn more at www.sba.gov/contractingopportunities/officials/size/faq/index.html.

Small businesses are critical to the economy. The SBA reports that they represent more than 99 percent of all employer firms, and employ more than half of all private-sector workers.

But self-employment doesn’t have to include hiring. In fact, the United States added nearly 1 million nonemployer businesses between 2006 and 2007, bringing the total to more than 21 million, according to the U.S. Census Bureau. The bureau defines nonemployers as self-employed individuals operating very small unincorporated businesses, which may or may not be the owner’s main source of income.

There are actually many ways to work for yourself. Some choices to consider:

- Launch, buy, or invest in a brick-and-mortar or online company or franchise
- Sell products or services online through auction sites or your own Web site
- Freelance by providing services under contract to clients

Whatever the form, it takes risk tolerance, mental and
emotional stamina, diligence, and hard work. And don’t forget the seed money. But before you hang out your own shingle, beware: According to the SBA, roughly 50 percent of small businesses fail within the first five years, for reasons varying from missteps in money management to inability to respond to growth, lack of experience, or poor location. And launching a business venture in a down economy can be especially difficult, with tighter credit and lower profit potential.

Launch with less risk
One key to success is having a strong business plan, says the SBA, and its “Small Business Planner” can help (www.sba.gov/smallbusinessplanner/index.html). A well-written business plan that describes the goals of your business and how they will be met is critical for obtaining financing from lenders or investors and paving your road to success. In this step, you should identify your niche and determine how you will fill it. Determine what your product or service is and how to market it, why there is a need for it, why your version is better than the competition and who your competitors are. Ways to gather this information include observation, reading industry journals and informal surveys.

Also be sure to tap into the State’s network of Regional Small Business Development Center Programs (www.calbusiness.ca.gov/cedpgybbsd.asp). A cooperative effort between the educational community and Federal, State and local government, these centers offer one-stop access to business counseling, planning, marketing, and training programs. They also provide links to resources for financial assistance.

In addition, take advantage of the SBA’s training programs (www.sba.gov/training/index.html). SBA is a resource partner with the Service Corps of Retired Executives (SCORE), a nonprofit association dedicated to entrepreneur education and the formation, growth, and success of small business nationwide. Its national network consists of 10,500 retired and working volunteers who are experienced entrepreneurs and corporate managers and executives who offer free, confidential advice to help build your business from idea to start-up to success.

Starting your venture online with a virtual storefront using eBay, Etsy, or an independent site of your own can also reduce risk and initial investment while testing the waters for your product or service. Many people get their feet wet by moonlighting for a while until their side business is strong enough to turn a profit and provide a paycheck.

Follow key start-up steps:

Getting financing. There are many Federal, State and local government-backed loans, venture capital, and research grants out there to help you launch your business or expand one you already have. Although government agencies generally don’t loan money directly, they will provide a guaranty to financial institutions that will. Borrowers apply for loans directly with their lenders, which include banks, credit unions, and small-business lending companies. The 2009 Recovery Act temporarily reduced or eliminated fees on SBA loans, and guaranteed some by up to 90 percent with the intent of giving local banks and credit unions the confidence to lend. Look for these lenders at www.sba.gov/financialassistance/prospectivelenders/index.html. There are also loan programs specifically for eligible members of minority groups, veterans, and women. Visit the SBA online at www.sba.gov/financialassistance/borrowers/index.html and the California Business Portal at www.calbusiness.ca.gov/cedpgybaf.asp for more information on available funding sources.

Determining legal structure. Consult an attorney and an accountant to help you choose the right form of ownership for you. The form that your business takes will
determine the amount of regulatory paperwork you have to file and affects your personal and tax liability. According to the SBA, the vast majority of small businesses start out as sole proprietorships, meaning they are owned by one person, typically the one responsible for running the business. Other options include:

- **Partnerships** – Ownership shared by two or more people.

- **Corporations** – Unique entity, separate from individuals who own it.

- **Limited Liability Company (LLC)** – Designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

**Registering a business name.** What will you be “doing business as”? You may need to register your business name with the local, State, or Federal government – especially if it’s considered fictitious. According to legal solutions publisher Nolo, any company that doesn’t use the official name of the person or entity that owns it as part of its business name must comply with fictitious or assumed business name requirements. This means registering the name with a government agency – sometimes the State, but usually your county clerk’s office.

**Registering for State and local taxes.** Your tax liability may include State and Federal income taxes, self-employment tax, State and Federal payroll taxes, property tax, and other special taxes. Both the Internal Revenue Service (Publication 334) and the State Franchise Tax Board (Publication 1060) offer tax guides for corporations starting business in California.

**Obtaining licenses and permits.** Visit [www.calgold.ca.gov](http://www.calgold.ca.gov) to find the ones you’ll need. CalGOLD offers links and contact information for State, local, regional and Federal permitting authorities.

**Learn the legal steps for hiring employees.** If you’re going to hire help, it’s critical to be in compliance with Federal and State regulations. You’ll also want to study up on effective candidate selection strategies and personnel management techniques. Visit SBA’s Web site for critical information including how to select the right job candidates and comply with employment law at [www.sba.gov/smallbusinessplanner/manage/manageemployees/](http://www.sba.gov/smallbusinessplanner/manage/manageemployees/).

**Learn more online**
Find your local SBA

Department of Consumer Affairs Small Business Liaison
[www.dca.ca.gov/publications/sb-liason.shtml](http://www.dca.ca.gov/publications/sb-liason.shtml)

California Business Portal
[www.calbusiness.ca.gov](http://www.calbusiness.ca.gov)

Starting, running, or closing your business
[www.ftb.ca.gov/businesses/index.shtml#Starting](http://www.ftb.ca.gov/businesses/index.shtml#Starting)

Start, buy, sell, or close a business
[www.boe.ca.gov/info/business.htm](http://www.boe.ca.gov/info/business.htm)
New rules for CREDIT CARDS

The Credit Card Accountability, Responsibility, and Disclosure (CARD) Act, which went into effect in February 2009, provides new protections for consumers. Many of the practices consumers considered abusive, including double-cycle billing, retroactive interest rate hikes, and due dates that change from month to month, are now banned.

Here's a summary of the changes

What the credit card company must do

➤ Give you 45 days’ notice before raising your interest rate or fees and allow you to cancel the card if you don’t agree to the changes.

➤ Tell you how long it will take to pay off your balance if you only make minimal payments.

➤ Give you 21 days to make your payment.

➤ Require a co-signer (or proof of sufficient income) before issuing a credit card to someone under 21.

➤ Get your approval before allowing you to go over your credit limit.

➤ Verify that you can make the payments before issuing a card or raising your credit limit.

What the credit card company cannot do

➤ Increase your interest rate in the first year.

➤ Raise your interest rate if you’re behind on other bills.

➤ Charge you a penalty interest rate when a payment is less than 60 days late.

➤ Apply interest rate charges more than once a month.

➤ Charge you a fee for making a payment online or by phone.

Consumer advocacy groups say card holders should remain alert to other common practices that credit card companies are still allowed to do, including:

➤ Impose additional fees, such as a foreign transaction fee or a fee for having a zero balance.

➤ Close your account without notice for any reason.

➤ Lower your credit limit without notice for any reason.

➤ Raise your interest rate on future purchases, with 45 days notice.

Sources

Federal Reserve
www.federalreserve.gov/consumerinfo

Center for Responsible Lending
www.responsiblelending.org

Consumer Action
www.consumer-action.org
Tax season is here again. Most of us dread the thought of preparing tax returns, but there are resources out there — many for free — that can make the process a little easier, whether you do the paperwork yourself or hire someone to do it.
Doing it yourself

If DIY is your method of choice, there is a wealth of information and assistance available online at the Internal Revenue Service (www.irs.gov) and the California Franchise Tax Board (www.ftb.ca.gov) Web sites.

File online

ReadyReturn uses information the State of California already has from your last return and your W-2 form to pre-fill your State tax return and simplify your filing. Visit www.ftb.ca.gov/readyreturn to check it out. Some restrictions apply.

CalFile lets you build and e-file your California tax return online at no charge. Visit www.ftb.ca.gov/online/calfile to start the process.

Free File is the IRS’ version of free online filing for eligible taxpayers. Visit www.freefile.irs.gov for details.

File on paper

Paper tax forms and printed instruction booklets are available at many libraries and post offices for those who want to go old school. Just remember to sign the return before you mail it in. (Believe it or not, that’s a common error.)

Hiring someone to do it for you

Be sure to check out the background and credentials of the person you hire to prepare and file your tax returns. Here are some tips from the California Board of Accountancy, which licenses and regulates certified public accountants in California.

Only four types of people are legally allowed to charge a fee to complete income tax forms in California:

• Certified public accountants and public accountants licensed by the State of California. Check the license online at www.dca.ca.gov/cba/lookup.shtml or by calling (916) 263-3680.

• Enrolled agents licensed by the IRS. Call (313) 234-1280 or e-mail the IRS’ Office of Professional Responsibility at OPR@irs.gov to verify an enrolled agent’s current status.

• Attorneys. Check credentials at the State Bar of California, http://members.calbar.ca.gov/search/member.aspx.

• California registered tax preparers registered with the California Tax Education Council. Visit www.ctec.org or call (877) 850-2832 to find a qualified preparer or verify credentials. Store-front tax-preparation chains often use registered tax preparers.
The IRS also offers these tips for choosing a tax preparer:

- Be cautious of tax preparers who claim they can obtain larger refunds than other preparers.
- Avoid preparers who base their fee on a percentage of the refund. Use a reputable tax professional who signs the tax return and provides a copy.
- Consider whether the individual or firm will be around to answer questions about the preparation of the tax return months, or even years, after the return has been filed.

Other resources

The California Franchise Tax Board has a brochure on how to select a tax preparer. Find it online at [www.ftb.ca.gov/forms/misc/982.pdf](http://www.ftb.ca.gov/forms/misc/982.pdf) or call (800) 338-0505 to get a copy.

The California Board of Accountancy (part of the Department of Consumer Affairs), has information online at [www.dca.ca.gov/cba/consumers/selectcpa.shtml](http://www.dca.ca.gov/cba/consumers/selectcpa.shtml) to help you select an accountant. You can check credentials or file a complaint against an accountant at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).

Beware of refund anticipation loans:

California’s Attorney General urges consumers to avoid high-cost tax “refund-anticipation loans,” which include numerous fees and can carry triple-digit annual interest rates. In a refund-anticipation loan, the taxpayers are “loaned” their refund money (minus fees) by a bank, then agree to have the actual refund sent to the bank to pay off the loan. Consumer advocate groups say the fees charged for such loans range from $34 to $130. Other add-ons, referred to as application, administrative, e-filing, service bureau, transmission, or processing fees can range from $25 to several hundred dollars.

The selling point for a refund anticipation loan is that you can get your refund now instead of waiting for it to come from the government. In most cases, however, you should be able to get your refund quickly. Electronic filing and direct deposit options offered by the California Franchise Tax Board and the Internal Revenue Service already allow for fast refunds. In fact, the IRS can deposit your refund into your bank account in as few as 10 days. It may be worth the small wait to avoid big fees.
SERVICE CONTRACTS
WORTH IT OR A WASTE OF MONEY?

You did your research, compared models, checked prices, and finally decided on the TV, computer, or home appliance you want. One more decision to make: Do you want to buy a service contract?

Many people say "no" to service contracts on principle, but enough people say "yes" to add up to $15 billion a year nationwide, according to Warranty Week, a newsletter for warranty management professionals.

Service contracts (also called protection plans) are a good deal for sellers, reportedly generating profits as high as 50 percent, but consumer advocates say they are rarely a good deal for buyers.

Consumer Reports magazine (www.consumerreports.org) has long advised against service contracts, calling them "notoriously bad deals." Consumer Reports says the contracts are a waste of money because household products rarely break within the contract window, which is usually two to three years after purchase. When the products do break, Consumer Reports says, the repairs cost, on average, about the same as the service contract.

NEW Customer Service Companies, a leading provider of extended service contracts, has a different view. On its blog (www.thesavvyshopperblog.com) NEW counters what it sees as the "myths of extended warranties." The number one myth, according to NEW, is that if you need a repair, the manufacturer’s warranty will cover it. NEW says manufacturer’s warranties often have limitations and exclusions. Service contracts, on the other hand, have few exclusions and often cover cleaning and preventive maintenance, plus online and 24-hour phone technical support, NEW says.

Changes in manufacturers’ warranties may also be a factor in the decision to buy a service contract. Since 2005, some leading appliance makers have shortened their warranties on refrigerators, ranges, washers, and other major home appliances, says Consumer Reports. In many cases, products are covered for only one year.

The same thing has happened with home electronics, according to PC World magazine (www.pcworld.com). One computer company even cut the warranty on many of its products from three years to one. Some warranties are as short as 90 days. Manufacturers may consider a shorter warranty evidence of greater reliability, but consumers may hold the opposite view.

In 2008, 42 percent of consumers bought a service contract for their laptop or desktop computer, up from 37 percent in 2007, according to the Service Contract Industry Council, a trade group. The majority (71 percent) of the 2,000 people who responded to a PC World survey on service contracts said they were happy they bought the contracts. Less than a quarter of the people who didn’t purchase a service contract said they regretted that decision because their product failed after the manufacturer’s warranty had expired.
In an October 2007 survey of major home appliances, J.D. Power and Associates (www.jdpower.com) found that in the first two years of ownership, only one in 10 consumers reported a problem with their major appliance. Relatively few of those problems required a service call. J.D. Powers said that despite this high degree of product reliability, about 25 percent of all consumers who purchased refrigerators, stoves, dishwashers, and laundry appliances also purchased a service contract.

Research conducted by Consumer Reports also shows that even though most consumer goods do not fail within the three to four years covered by a typical service contract, some products are more likely than others to need repairs. Laptops headed the Consumer Reports list, with 43 percent needing repairs after three to four years. Digital cameras were at the bottom of the list; only 10 percent needed repairs after three to four years.

If you think consumers who buy service contracts are really buying convenience and peace of mind, you may be on to something. A recent study by three business school professors came to a similar conclusion. The study was reported in the December 2009 issue of the Journal of Consumer Research. The professors analyzed data from customers of the electronics department of a retail chain and found that consumers were more likely to buy the contracts for products that bring them pleasure (the researchers called them “hedonic products”) rather than for utilitarian ones. For comparison, picture a video game console (pleasure/hedonic) versus a printer (utilitarian). The authors suggest that “the pain of potential loss is higher for hedonic products, making insuring the product more attractive.” In other words, the happier you are about the item, the more you want to protect it. The service contract provides peace of mind – at a price.

If you’re considering an extended service contract

- Ask the retailer for a copy of the contract. Do not buy the service contract if the salesperson cannot supply a copy for you to read and keep in your files.
- Find out whether or not the contract coverage begins before or after the manufacturer’s warranty expires.
- Don’t feel locked in even if you do buy a service contract. You have 30 days to cancel and get your money back. You can cancel after 30 days, but you won’t get all your money back.
- Shop around. You don’t have to buy the service contract from the retailer. Third-party warranty sellers, especially for electronics and computers, can be found online and may be less expensive.
- Check with your credit card company, especially if you have a gold or platinum card. The credit card you use to buy the item may extend the manufacturer’s warranty for a year.
- Weigh the cost of the service contract against the cost of the item. Do you really want to pay $30 for a service contract on a $50 calculator? In general, the service contract should not cost more than 20 percent of the price of the item.
- Know how the contract works. Does it cover in-home repairs? Do you have to pay to ship a product to a repair facility? Is there a deductible? What happens if the retailer goes out of business?
Lost your paperwork? No problem
A new State law, which took effect January 1, 2010, requires retailers who sell service contracts to maintain information on each contract as long as the contract is in effect. The retailer also has to provide a copy of the contract to a customer who requests it. The new law does not apply to vehicle service contracts.

Check out your repair shop
The California Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation regulates service dealers and the repair of major home appliances and electronic equipment used for personal or home office use. Dealers must display the registration in their shops. Consumers can verify current registration or get a list of registered dealers in their area online at www.bearhfti.ca.gov.

Know your repair rights
The California Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation (part of the Department of Consumer Affairs) regulates the sale and administration of service contracts sold to California consumers. Service contract sellers, including retailers that offer service contracts, must be registered with the Bureau, provide proof of financial backing, and meet other requirements. You can verify a service contract seller’s registration online by visiting www.bearhfti.ca.gov. For more tips on service contracts, see “A Consumer’s Guide to Service Contracts,” available online at www.bear.ca.gov/consumer/service_contracts.shtml. If you have a problem with a service contract, try to resolve it with the contract seller or administrator, or the company doing the repairs. If you cannot resolve the problem, call the Department of Consumer Affairs’ Consumer Information Center at (800) 952-5210 for assistance. Complaints may be filed online at www.bearhfti.ca.gov.

When you need service or repairs for a product that is not under warranty, the Bureau advises consumers to do the following:
• Get referrals for reputable repair dealers from your family, friends, or coworkers.
• Verify that the dealer has a valid registration issued by the Bureau.
• Get a written estimate for any service or repair before any work is performed.
• Obtain estimates from at least two repair shops.
• Find out if a diagnosis fee will be charged if you decide not to repair the item.

For more tips, see a “Consumer Guide to Electronic and Appliance Repair” online at http://www.bear.ca.gov/consumer/consumer_guide.shtml.

If you have a problem with a repair shop, try to resolve it with the shop. If you cannot resolve the problem, call the Department of Consumer Affairs’ Consumer Information Center at (800) 952-5210 for assistance. Complaints may be filed online at www.bearhfti.ca.gov.
Statewide Scam Roundup

Pop-up scareware can be a threat

Most computer users know better than to click on messages that pop up during Internet browsing. But what about pop-up notices that tell you your computer may be infected with viruses? Those must be legitimate, right? Not so, says the Federal Bureau of Investigation. These pop-ups, known as “scareware,” can look authentic. Sometimes the messages even include icons or logos from reputable security software. Clicking on the pop-up may lead to a form that asks you to use a credit card to order the fake security software. Instead of eliminating viruses, the software may actually install malicious code on your computer or even steal your financial information or your identity. For more information or to file a complaint about online scams, visit the Internet Crime Complaint Center at www.ic3.gov.

Smash the smishing

A new scam is spreading faster than the seasonal flu. It’s called “smishing” and occurs when you receive a text message supposedly from your bank or credit union. The message informs you that your ATM card, credit card, or bank account has been frozen. To resolve the problem, the message instructs you to call a specific phone number and provide your credit card and bank account numbers, PIN (personal identification number), and other information. If you fall victim to this scam, you risk having the money in your bank account, and your identity, stolen. Before you respond to any text message on your cell phone, try to confirm it’s legitimate. It’s better to call your bank or credit union using a phone number you know is correct. And keep in mind that your bank or credit union would probably call you on the telephone if there’s a problem with your account.
Robocall senders face high fees

Robocalls, those automated sales pitches, have long been the most annoying species of telemarketing calls. Under the Do Not Call Registry, created in 2003, consumers can place their names and phone numbers on a list maintained by the U.S. Federal Trade Commission which prohibits telemarketing calls. Now, businesses that ignore the list can be fined up to $16,000 per call. To register your phone numbers or file a complaint about unwanted telemarketing calls, go online to www.donotcall.gov or call toll-free (888) 382-1222. Recorded phone messages from charities, healthcare providers, and political groups are still allowed, even under the Do Not Call Registry.

Lost dog scam

Ads and flyers offering a reward are a common way to find a lost pet, but this practice can also leave the pet owner open to a cruel con. A scam artist who sees the flyer calls to say he (or she) has found your lost pet, but wants the reward first. Sometimes the scammer will even ask for more money. The caller may even use the description you provided on the flyer to convince you he really has your pet. The scammer then collects your reward, but never returns the missing pet, because he or she never had it in the first place.

When home can hurt you

Portable GPS (Global Positioning Satellite) navigation devices were big sellers during the 2009 Christmas season. These gadgets are a great way to guide you around town. Unfortunately, if stolen from your car, the device is also a great way for thieves to find out where you live - and how to get there. All crooks have to do is click on “Home.” The result can be a home burglary while you’re away. If you have a portable GPS device, be sure to remove it from your dashboard and secure it when you’re not in the car. Don’t forget to store the suction cup holding device and power cord, too.
New edition of *California Tenants* is here

Printed copies of the 2010 edition of *California Tenants: A Guide to Residential Tenants’ and Landlords’ Rights and Responsibilities* are now available free of charge to individuals and organizations.

View the entire document on the DCA Web site at [www.dca.ca.gov](http://www.dca.ca.gov).

To submit a new order, call the Department of Consumer Affairs publications hotline toll-free at (866) 320-8652 or complete the form below and mail it to us at:

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The sale of *California Tenants* by other parties is prohibited.
Credit scores
You’ve heard the motto, “Money talks,” but maybe a better motto is: “When credit talks, money walks.” And credit, especially your credit score, says plenty about you to people you don’t even know. Take our little quiz to test what you know about your credit reports and your credit score. Check the resources list at the end for real (serious) guidance on how to get copies of your credit report and how to use the information.

1. What’s a credit score?
   a. The score you get credit for.
   b. A statistical analysis of your credit worthiness.
   c. Points you get for playing the credit game.

2. If you never use credit, you’ll have a good credit score for, like, forever. Right?
   a. Not really, but if you have enough cash, who needs credit?
   b. Think about it: You have to play to have a score.
   c. How long is “like forever”?

3. What is FICO?
   a. The Fair Issac Corporation, which licensed its credit scoring software to each of the three national credit bureaus.
   b. Something the giant said in Jack and the Beanstalk.
   c. That pirate band in those cute TV commercials.

4. What does it take to get face time with your credit report?
   a. The secret handshake.
   b. Lots of money.
   c. Go online to www.AnnualCreditReport.com or call (877) 322-8228.

5. How many copies of your credit report can you get for free each year?
   a. One for each credit card you have.
   b. None. You have to pay for the report.
   c. One from each of the three national credit bureaus.

6. What is a credit bureau?
   a. A business that collects information on consumers about their bill-paying history.
   b. The bedroom dresser you bought on credit.
   c. A branch of the government that deals with credit.

Answers: 1. b; 2. b; 3. a; 4. c; 5. c.; 6. a

Smart Tip
You can get one free report a year from each of the three credit bureaus. The credit report may be free, but the credit score will cost you usually about $16. (State law says the fee has to be “reasonable.”) For your credit report, go online to www.annualcreditreport.com. Be leery of other similar-name Web sites that offer free credit reports but only if you sign up for online monthly monitoring for a fee.

Other resources
For more information about credit reports and your credit score, go to www.myFICO.com. The site has educational information, calculators, and educational videos, but charges for some services.

Tips for consumers on credit reports, including how to fix errors, is also available from the Federal Trade Commission, www.ftc.gov/credit.

Also take a look at an online interactive game from the U.S. Treasury Department called the Bad Check Hotel. Motto: “Don’t let your credit put you in a bad place.” The game, at www.controlyourcredit.gov, has players hunt through the hotel for the key to Room 850 (the perfect credit score). The game is intended for junior high and high school students, but why should they have all the fun?