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*Helping people help themselves through Education, Financial Counseling and Debt Repayment*

## **CCCS OFFERS STRATEGIES FOR A DEBT-FREE HOLIDAY SEASON**

**(BALTIMORE, MD)** – Over the recent Black Friday weekend, consumers spent a record \$52.4 billion, up 16 percent from last year. However, Black Friday typically only represents 10 percent of total holiday shopping sales. Thus 90 percent of holiday shopping is yet to be done. If you are among the 90 percent who haven't started shopping yet, you are likely to wonder: "How much can I really afford to spend this year?" Before you answer this question, Deanna Booker, Community Outreach and Communications Manager at Consumer Credit Counseling Service of Maryland and Delaware (CCCS), recommends you take a look at your personal finances and think carefully about what the holiday season really means. Booker notes, "Celebrating doesn't have to break the bank. It's possible to have a great holiday without overspending. It just takes some thought and planning."

Booker recommends that consumers develop a holiday budget before they ever shop. "Having a budget is crucial. Start by looking at how much you can really afford to spend. Then create a list of the people for whom you hope to buy gifts. Set a spending limit for each. Also include other costs, such as decorations, entertainment, or travel that you're considering. If you find the amount you plan to spend exceeds the amount you can afford, it's time to trim back. Narrow your gift list and reduce the amount you plan to spend on each item."

Developing a holiday budget is only the first step. Sticking to it is the real challenge: "Make sure you take your list whenever you shop and don't be swayed by the temptation to charge it now and pay later. Remember, next month the bills are going to come due." Many Americans are still paying off debts from last year's holiday season. The temptation to overspend may be particularly keen for those who already are living on the edge. "Pressured by holiday advertising, many of us feel the need to provide our families with a wonderful Christmas. But if we really think about it, we know true holiday spirit doesn't come from spending. There are much healthier, happier ways to celebrate. If you're having trouble making ends meet, sit down and candidly discuss your financial situation with your children and loved ones. Be honest about your desire to avoid overspending; then work together to develop new traditions that don't require spending."

With planning, it's possible to limit holiday spending on several fronts: To save the cost of Christmas cards and postage, send a year-end letter to family and friends by email or use one of the free electronic greeting sites. Instead of buying tinsel and ornaments, decorate your home with things you already have on hand or can gather outdoors, like pine boughs or cones. Share a talent or service instead of buying a gift. If you have a large, extended family, draw names instead of purchasing something for each person.

Booker recommends, "Emphasize spending time together instead of spending money. An evening at home playing board games or Christmas caroling in the neighborhood can be a lot less expensive and a lot more satisfying than going out to a meal and a movie with your children. Think in terms of making meaningful memories -- not just spending for spending's sake."

The holidays also offer parents a chance to teach their children a valuable lesson in personal finance. Booker suggests, "If they come to you with a wish list for eight items, explain that you cannot afford everything they've written down. Ask them to choose the two they desire most and write a sentence about each explaining why it's important. This will help them learn to set financial goals and recognize the need to spend within your means."

Booker cautions consumers to avoid going into further debt to pay for holiday expenses. She notes that payday loans and title loans are two strategies to forego. Booker says, "These loans are very tempting, because they offer a quick fix. But consumers need to be aware that the cost they pay may be much more than the hundred dollars for which they initially applied."

Payday loans are small, short-term loans intended to cover a borrower's expenses until his or her next payday. When money is tight, these loans provide ready access to cash, but when applying for them, consumers often don't recognize the risks involved. These include high borrowing fees, high interest rates, and high security risks involving personal information. Fees charged for payday cash advances may range anywhere from \$10 per \$100 up to \$30 per \$100 borrowed. Once you're locked in, amounts are directly withdrawn from your checking account each payday.

In Maryland legitimate payday loan providers must be licensed. Maryland also caps the amount payday loan companies can charge for interest at 33 percent. Despite these limitations, consumers who take out payday loans often end up in financial trouble. Maryland Commission of Financial Regulation Services Investigator Suzanne Elbon notes: "Faced with mounting interest, consumers often find it hard to pay back payday loans and may end up taking out further payday loans just to stay afloat. This leads to a vicious cycle, where they ultimately owe a lot more than the initial loan they took out. It may even affect their ability to pay other essential bills and their mortgage."

A title loan is a short-term loan where consumers offer their car titles as collateral. These loans must be paid back within a certain period of time, often 30 to 90 days, and usually involve a very high interest rate, often 350 to 400 percent. Booker notes, "Title loans are particularly risky. When you apply, you're putting your car on the line. If you don't pay the money back, you could lose your car and still owe on the loan." Elbon concurs, "Consumers often don't recognize the long-term implications. If you miss a payment and the loan company takes your car, how will you get to work? If you can't get to work, how will you pay your bills?"

Title loans are illegal in Maryland. Elbon highly recommends consumers consider other financial options if extra money is required. When it comes to holiday spending, Booker suggests they go even further: "The Christmases you remember are rarely tied to the big-ticket gifts you received. They are more likely to revolve around time well spent with family and friends. A warm meal at home, laughter and hugs -- these are priceless memories that didn't cost a thing."

CCCS provides free credit counseling to local residents who need help regaining control of their finances. To schedule an appointment, please call 1-800-642-2227. To check if a company has a Maryland Consumer Lending license visit: <http://www.dlr.state.md.us/finance/industry/licsearch.shtml>. If you are a Maryland resident and have a complaint against a pay day lender or any consumer lending company please visit <http://www.dlr.state.md.us/finance/consumers/comphow.shtml> for instructions on how to file a complaint with Maryland's Commissioner of Financial Regulation.

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