



## **TCAI Working Paper**

### **Encouraging Behavior Change in Credit Counseling: An Application of the Transtheoretical Model of Change (TTM)**

Jing Jian Xiao  
Jiajun Wu

University of Arizona  
Take Charge America Institute for Consumer Financial Education and Research  
PO Box 210033  
Tucson, AZ 85750  
Phone: 520-621-5948, Fax: 520-621-3209  
E-Mail: xiao@email.arizona.edu

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# **Encouraging Behavior Change in Credit Counseling: An Application of the Transtheoretical Model of Change (TTM)**

**Jing Jian Xiao<sup>1</sup>  
Jiayun Wu<sup>2</sup>**

**Abstract:** This paper first describes the characteristics and behaviors of consumers who seek credit counseling. It then introduces major concepts of the Transtheoretical Model of Change (TTM) and demonstrates how TTM can be applied in the setting of consumer credit counseling. Practical issues related to the application are also discussed.

## **Introduction**

In the credit counseling industry, there is a need to enhance the counseling aspect of the services provided. This need is motivated by two major factors. The first is the government's increasing scrutiny of the credit counseling industry, which may result in new regulatory rules and actions. The second factor is creditors who are reluctant to provide support through "fair shares" to credit counseling services. The counseling industry strives to prove that their services are beneficial to consumers with heavy credit card debts; these services will help consumers repay debts more easily and eventually benefit both the creditors and society.

The credit counseling industry has developed various counseling channels and approaches in the last three decades. The counseling channel has been expanded from only face-to-face to telephone, even to internet counseling in recent years. Researchers at Georgetown University have shown that counseling alone is beneficial for consumers as evidenced by their improved repayment behaviors as compared to consumers with similar characteristics but without counseling (Staten, Elliehausen, & Lundquist, 2002).

The purpose of this paper is to introduce a counseling approach commonly used in the health area that has potential applications in credit counseling. We will first describe the characteristics and behaviors of consumers who seek credit counseling services, then describe the major concepts of the approach and how it can be applied in credit counseling. Practical issues of this application will be discussed in the following section.

## **Characteristics of Consumers who Seek Credit Counseling**

Consumers who seek credit counseling assistance fall into three categories: (1) those whose financial situation is not too bad and can help themselves in getting out of financial trouble (FCO – financial counseling only), after receiving appropriate guidance and information; (2) those who need a debt management plan (DMP) administered by a credit counseling agency; and (3) those

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<sup>1</sup> Jing Jian Xiao, Ph.D., Take Charge America Professor and Director, Take Charge America Institute for Consumer Financial Education and Research, University of Arizona, PO Box 210033, Tucson, AZ 85721; Email: xiao@email.arizona.edu.

<sup>2</sup> Jiayun Wu, Ph.D. student, Retailing and Consumer Science, University of Arizona, PO Box 210033, Tucson, AZ 85721; Email: jwu@email.arizona.edu.

whose financial situations are so severe that bankruptcy may be their best option. Many credit counseling agencies work only with the first two groups of consumers and refer the third group to bankruptcy attorneys. Credit counselors should be aware of different types of consumers and apply appropriate approaches to help consumers with different needs.

### **Financial Behaviors of Consumers in Credit Counselling**

A few studies have researched the financial behavior of consumers who use credit counselling services. Tokunaga (1993) compared consumers who used credit counselling services and a control group in San Jose and found that credit counselling clients took fewer steps to retain their money and expressed greater anxiety about financial matters. Several recent studies focused on whether or not consumer credit counselling services improve consumer credit management practices. Using data from clients of agencies affiliated with National Foundation of Consumer Credit (NFCC), the results provide evidence that credit counselling positively affects credit use and payment behavior (Staten, et al., 2002). Another group of researchers using data collected from an independent credit counselling agency also documented that credit counselling improves clients' financial behaviors (Kim, Garman, & Sorhaindo, 2003). In their study, they found that credit counselling and financial behavior contribute both to family well-being and to the clients' health. In the study, financial behavior is measured by the number of positive financial practices. When the educational desires of credit counselling clients are examined, their desires are similar but quite different in prioritization from those who presumably are adequately managing their financial resources. Credit counselling clients gave priority to budgeting and credit management behaviors (Bailey, Sorhaindo, & Garman, 2003). Positive financial behaviors tend to reduce financial stress and increase financial satisfaction for consumers who use credit counseling services (Xiao, Sorhaindo, & Garman, 2006).

### **The Transtheoretical Model of Change (TTM)**

#### *Background of TTM*

The transtheoretical model of change (TTM) was developed in the 1970s by a psychology professor at the University of Rhode Island, Dr. James Prochaska, and his colleagues (Prochaska, 1979; Prochaska, DiClemente, & Norcross, 1992; Prochaska, Redding, & Evers, 1996). The model is formed by highlighting major psychological theories in a uniform framework for the purpose of helping individuals change undesirable behaviors. Here, "transtheoretical" means to transform theories into applications, which implies that this model is developed for the applied purpose of counseling. The framework was first used in cigarette smoking cessation programs and then in many other areas to promote positive health behaviors. In recent years, TTM has been applied to financial education and counseling, such as family financial therapy (Kerkman, 1998), financial education (Bristow, 1997; O'Neill, 2001; Shokely & Seiling, 2004; Xiao, O'Neill, Prochaska, Kerbel, Brennan, & Bristow, 2004), and credit counseling (Xiao, Newman, Prochaska, Leon, & Bassett, 2004; Xiao, Newman, Prochaska, Leon, Bassett, & Johnson, 2004).

**Table 1. Change Strategies and Tactics that Match Change Stages**

<b>Change Stage</b>	<b>Change Strategy</b>	<b>Change Tactics</b>
Precontemplation	<p><i>Consciousness raising:</i> Finding and learning new facts, ideas, and tips that support the healthy behavior change</p> <p><i>Dramatic relief:</i> Experiencing the negative emotions that go along with unhealthy behavior risks</p> <p><i>Environmental reevaluation:</i> Realizing the negative impact of unhealthy behavior or the positive impact of healthy behavior on one's proximal social and physical environment</p>	<p>observations, confrontations, interpretations, bibliotherapy</p> <p>psychodrama, grieving losses, role playing</p> <p>empathy training, documentaries</p>
Contemplation	<p><i>Self-reevaluation:</i> Realizing that behavior change is an important part of one's identity as a person</p>	<p>value clarification, imagery, corrective emotional experience</p>
Preparation	<p><i>Self-liberation:</i> Making a firm commitment to change</p>	<p>decision-making therapy, New Year's resolution, logotherapy techniques, commitment enhancing techniques</p>
Action/Maintenance	<p><i>Reinforcement management:</i> Increasing the rewards for the positive behavior change and decreasing the rewards of the unhealthy behavior</p> <p><i>Helping relationships:</i> Seeking and using social support for the healthy behavior change</p> <p><i>Counterconditioning:</i> Substituting healthy alternative behaviors and cognitions for the unhealthy behaviors</p> <p><i>Stimulus control:</i> Removing reminders or cues to engage in the unhealthy behavior and adding cues or reminders to engage in the healthy behavior</p>	<p>contingency contracts, overt and covert reinforcement, self-reward</p> <p>therapeutic alliance, social support, self-help groups</p> <p>relaxation, desensitization, assertion, positive self-statements</p> <p>restructuring one's environment, avoiding high risk cues, fading techniques</p>
All stages	<p><i>Social liberation:</i> Realizing that the social norms are changing in the direction of supporting the healthy behavior change</p>	<p>advocating for rights of repressed, empowering, policy interventions</p>

Source: Prachaska, DiClemente, & Norcross (1992).

*Major Concepts of TTM*

Major concepts of TTM include stage of change, process of change, confidence, and decisional balance. TTM identifies five stages of behavior change: precontemplation, contemplation, preparation, action, and maintenance. If a person is not willing to change in six months, s/he is in precontemplation. If a person is willing to change in six months, s/he is in contemplation. If s/he

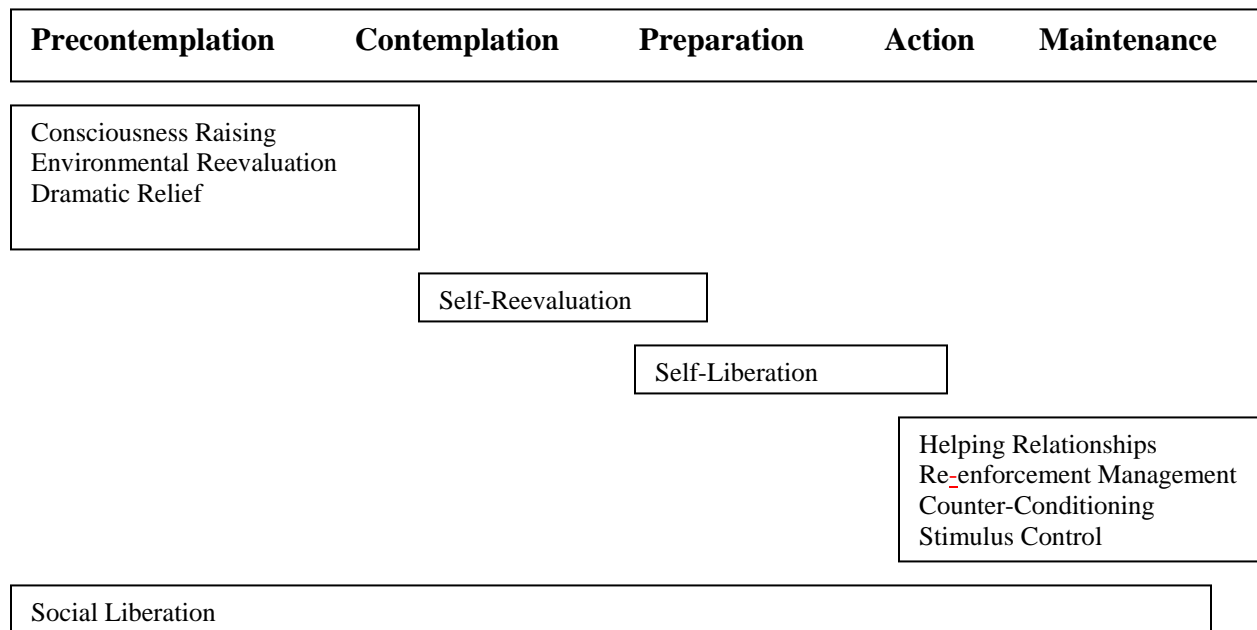
is willing to change in 30 days, s/he is in preparation. If s/he has started to change for less than six months, s/he is in action. If s/he has been changing for over six months but less than 18 months, s/he is in maintenance. If s/he has changed the behavior for more than 18 months, we consider her/his behavior has been changed. But some people may relapse to previous stages. For some people, behavior change may take several cycles. Note that these time specific stages are developed based on numerous studies in the health area. Future research is needed to test if these time specific stages are appropriately defined in the setting of credit counseling.

TTM also identifies ten processes of change. The term “process” refers to strategies or interventions for encouraging people to change. Table 1 presents definitions of the change processes and examples of tactics for behavior changes.

According to TTM, these strategies are more effective if they are matched with appropriate stages of change. Figure 1 demonstrates the relationship between the stage of change and the process of change (Pro-Change Behavior Systems, 2002).

Two indicators of the success of behavior change are the decisional balance (or pros and cons) and self-efficacy (or confidence). In later stages, people perceive more benefits and fewer costs from their behavior changes. They would then be more confident and unlikely perform the targeted, undesirable behavior when they face difficult situations.

**Figure 1. Stages by Processes of Change**



### *Unique Features of TTM*

1. It integrates essentials of major psychological theories to form a framework to offer more effective interventions.
2. It refines the stages of behavior change, which is an advance from the traditional behavior change theory, and has potential to reach more consumers in terms of the targeted behavior.
3. It matches intervention strategies in different stages of behavior change, which makes it more effective compared to other intervention programs.
4. It focuses on enhancing self-control.

### **Applying TTM to Credit Counseling**

Applying TTM to credit counseling can involve following steps:

1. Identify the causes of the consumers' financial problems. Are these factors connected to self-control issues? If so, and behavior changes are needed to reduce debts, the TTM approach can be applied. We argue that all serious debt problems are caused by behavior control problems to some degree.
2. Identify one to three most problematic behaviors that cause financial troubles. For some consumers, specific problematic behaviors can be easily identified and corrected. One example is cutting expenses by bringing lunch to work. For some consumers, changing behaviors means a lifestyle change, which needs more self-commitment and planning. Some consumers may have different opinions of the counselor's suggestions about their problematic behaviors. Counselors need to better communicate with their clients to reach a consensus regarding target behaviors to change.
3. Identify the stage of change in terms of these problematic behaviors.
4. Apply appropriate change strategies to match the stage of change.
5. Measure the indexes of decisional balance and self-efficacy to monitor progress.
6. Follow the consulted clients for 18 or more months to examine whether or not they have made progress in behavior changes and in achieving their debt reduction goals.

### **Practical Issues Related to the Application**

#### *Training Needs of Counselors*

Many counselors working in the credit counseling industry may not have advanced degrees. Can they understand and effectively use the TTM approach to help consumers? The answer is yes. TTM is a flexible framework that is designed for both helping professionals and consumers who would like to solve personal issues. The original developers of TTM published a self-help book for consumers to change their own undesirable behaviors and live better lives (Prochaska, Norcross, & DiClemente, 1994). Credit counselors should be able to understand and apply the concepts and procedures of TTM after appropriate training sessions.

### *Applicability of TTM to Debt Issues Caused by Multiple Factors*

Consumer debt issues may be caused by many factors. We divide these factors into two categories, social and behavioral. The unbearable debts could be caused by social factors, such as divorce, unemployment, major medical expenses, etc., and/or behavioral factors. Sometimes consumers need to modify their behaviors to cooperate with credit counselors to reduce and remove undesirable debts. Most times debt is caused by both social and behavioral factors. The TTM approach should be able to deal with consumers whose debt problems are caused by behavioral factors. A credit counseling agency should offer two basic services, technical and behavior change services. The technical assistance helps consumers understand basic financial terms and procedures to reduce debts. The behavior change services as described in this paper are unique and innovative, which will have potential to benefit both consumers and creditors.

### *Differences between Goal Achievements and Behavior Changes*

Someone may say that consumers who seek credit counseling services are those who are in the action or maintenance stage in the TTM term. Maybe yes or no. Consumers come for help for many reasons. Some may be aware that they need to change their behavior to reduce debts and some may not. The TTM approach covers consumers in all stages of change, not only those in the action or later stages. Note that sometimes the goal and the targeted behavior are different. For example, a consumer who comes to seek help may have a goal to reduce her/his debt. To achieve this goal, s/he may need only a behavior change, such as reducing the frequency of eating out; some consumers may not be aware of such simple solutions. S/he would then be considered to be in the precontemplation stage. Using the same reasoning, some consumers may be in the contemplation, preparation, or action stage. Credit counselors could provide appropriate interventions to meet different needs of individual consumers.

## **Summary**

The purpose of this paper is to introduce to practitioners in the credit counseling industry a counseling framework that has potential to be applied in credit counseling to increase consumer satisfaction and retention. The framework is called the Transtheoretical Model of Change (TTM), which is commonly used in the health area to help people eliminate undesirable behaviors, such as smoking and drinking, and develop positive behaviors such as a healthy diet and regular exercise. TTM has the potential to be used by credit counseling agencies to improve their consumer counseling services; this could benefit both consumers and the credit counseling businesses. The authors of this paper would like to work with any credit counseling agencies that are willing to apply this innovative approach to credit counseling to better serve the needs of their clients.

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