

Applying the Transtheoretical Model of Change to Credit Counseling: Addressing Practical Issues

This paper first describes characteristics and behaviors of consumers who seek credit counseling. And then it 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.

Jing Jian Xiao, University of Arizona¹
Jiayun Wu, University of Arizona²

Introduction

In the industry of credit counseling, there is a need to enhance the counseling aspect of the services. The need is motivated by two major factors. The first is government increasingly scrutiny of the industry, which may result in new regulatory rules and actions. The second factor is creditors that are reluctant to provide support through “fair” shares to credit counseling services. The industry strives to prove that their services to consumers with heavy credit card debts are beneficial for consumers, which will help consumers repay debts more smoothly and eventually benefit creditors and the 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 the Georgetown University have shown that counseling alone will be beneficial for consumers evidenced by their improved repayment behaviors compared to consumers with similar characteristics but without counseling (Staten, Elliehausen, & Lundquist, 2002).

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

Characteristics of Consumers who Seek Credit Counseling

Consumers who seek credit counseling assistance will fall in three categories, those who are in a better financial shape and can do something themselves to get out of financial troubles (FCO – financial counseling only), those who need a debt management program (DMP) administered by a credit counseling agency, and those whose financial situations are very bad and claiming a bankruptcy is a better solution for them. Most credit counseling agencies work 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 researched financial behaviors 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. A few 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 affects credit use and payment behaviors in a positive way (Staten, et al, 2002). Another group of researchers using data collected from an independent credit counselling agency also documented that credit counselling improves these clients’ financial behaviors (Kim, Garman, & Sorhaindo, 2003). In their study, they found that credit counselling and financial behaviors contribute to family well-being and then to clients’ health. In the study, the financial behavior is measured by the number of positive financial practices. When educational desires of credit counselling clients are examined, their desires are similar but quite different in prioritisation from those who presumably are adequately managing their financial

resources. Credit counselling clients gave priority to budgeting and credit management (Bailey, Sorhaindo, & Garman, 2003). Positive financial behaviours tend to reduce financial stress and increase financial satisfaction among consumers who use credit counseling services (Xiao, Sorhaindo, & Garman, 2006).

Table 1 Change Strategies and Tactics that Match Change Stages

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

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

The Transtheoretical Model of Change (TTM)

Background of TTM

The transtheoretical model of change (TTM) was developed in 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 people change their undesirable behaviors. "Transtheoretical" in the title means to transform theories to applications, which implies that this model is developed for the applied purpose in counseling. The framework was first used in cigarette smoking cessation 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).

Major Concepts of TTM

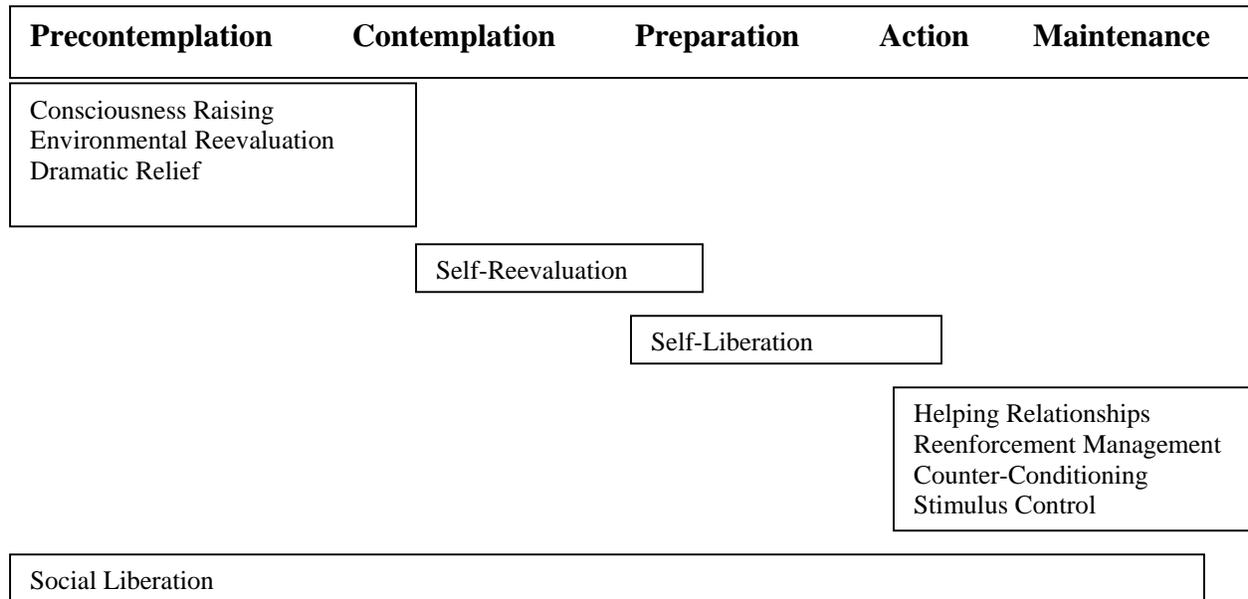
Major concepts of TTM include stage of change, process of change, confidence, and decisional balance. TTM identifies five stages of behavior change: precontemplation, contemplation, preparation, action, and maintenance. If a person is not willing to change in six months, s/he is in precontemplation.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

TTM also identifies ten processes of change, in which “processes” mean strategies or interventions for encouraging people to change. Table 1 presents definitions of the change processes and examples of tactics for behavior change.

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 process of change (Pro-Change Behavior Systems, 2002).

Two indicators of success of behavior change are decisional balance and self-efficacy (or confidence). When people are at a later stage, they would perceive more benefits and fewer costs of behavior change. And they would be more confident not to 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 causes of financial problems faced by consumers. Are these factors relevant to self-control issues and/or other factors? If the problem involves self-control issues and behavior changes are needed to reduce debts, the TTM approach can be applied. We argue that all serious debt problems are caused by some 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 lifestyle change, which needs more self-commitment and planning. Some consumers may have different opinions on 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 change and in achieving their debt reduction goal.

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 themselves. The original developers of TTM even published a self-help book for consumers to change their own undesirable behaviors themselves to live a better life (Prochaska, Norcross, & DiClemente, 1994). Then counselors in credit counseling should be able to understand and apply concepts and procedures of TTM after appropriate trainings.

Applicability of TTM to Debt Issues Caused by Multiple Factors

Consumer debt issues may be caused by many factors. We divide these factors to 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 it 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 one 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 come to seek credit counseling services are those who are in the action or maintenance stage in the TTM term. Maybe or maybe not. Consumers come for help for many reasons. Some may beware 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 stage. 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 cutting the frequency of eating out. Some consumers may not beware 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 practitioners in the industry of credit counseling 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 health area to help people remove undesirable behaviors such as smoking and drinking and develop positive behaviors such as using healthy diets and exercising regularly. TTM has potential to be used by credit counseling agencies if they would like to improve their counseling services for consumers that benefit both consumers and their own businesses. The authors of this paper would like to work with any credit counseling agencies that are willing to apply this innovative approach in credit counseling to better serve needs of their clients.

Acknowledgments

We thank Vicki Jacobson, David Lander, Peter Rose, Tiffany Worley, and participants at the 2006 Annual Conference of American Council on Consumer Interests and the 2005 Foundation for Credit Education Conference for helpful suggestions on earlier versions of this paper. The remaining errors are ours.

References

- Bailey, W. C., Sorhaindo, B., & Garman, E. T. (2003). Educational desires of credit counseling clients. *Financial Counseling and Planning*, 14(1), 51-56.
- Bristow, B. J. (1997). *Promoting financial well-being: Running a successful MONEY 2000 campaign*. Ithaca, NY: Cornell Cooperative Extension.
- Kerkman, B. C. (1998). Motivation and stages of change in financial counseling: An application of a transtheoretical model from counseling psychology. *Financial Counseling and Planning*, 9(1), 13-20.
- Kim, J., Garman, E. T., & Sorhaindo, B. (2003). Relationships among credit counselling clients' financial well-being, financial behaviours, financial stressor events, and health. *Financial Counselling and Planning*, 14(2), 75-87.
- O'Neill, B. (2001). Updated MONEY 2000™: impact data. Message to MONEY 2000™ electronic mail group, MONEY2000-NATIONAL-L@cce.cornell.edu.
- Pro-Change Behavior Systems. (2002). *Mastering change: Counselors' guide to using the transtheoretical model with clients*. West Kingston, RI: Author.
- Prochaska, J. O. (1979). Systems of psychotherapy: A transtheoretical analysis. Homewood, IL: Dorsey.
- Prochaska, J. O., DiClemente, C. C., & Norcross, J. C. (1992). In search of how people change: Applications to addictive behaviors. *American Psychologist*, 47(9), 1102-1114.
- Prochaska, J. O., Norcross, J. C., & DiClemente, C. C. (1992). *Change for good: A revolutionary six-stage program for overcoming bad habits and moving your life positively forward*. New York: Avon.
- Prochaska, J. O., Redding, C. A., & Evers, K. E. (1996). The transtheoretical model and stages of change. In K. Glanz, F. M. Lewis, & B. K. Rimer (Eds.). *Health behavior and health education: Theory, research, and practice* (2nd ed.) (pp. 60-84). San Francisco: Jossey-Bass.
- Shockey, S. S., & Seiling, S. B. (2004). Moving into action: Application of the Transtheoretical Model of Behavior Change to financial education. *Financial Counseling and Planning*, 15(1), 41-52.
- Staten, M. E., Elliehausen, G., & Lundquist, E. C. (2002). The impact of credit card counselling on subsequent borrower credit card usage and payment behaviour. *Georgetown University, Credit Research Centre Monograph #36, March 2002*.
- Tokunaga, H. (1993). The use and abuse of consumer credit: Application of psychological theory and research. *Journal of Economic Psychology*, 14, 285-316.
- Xiao, J. J., Newman, B. M., Prochaska, J. M., Leon, B., & Bassett, R. (2004). Voice of Consumers in credit card debts: A qualitative approach. *Journal of Personal Finance*, 3(2), 56-74.

Xiao, J. J., Newman, B. M., Prochaska, J. M., Leon, B., & Bassett, R., & Johnson, J. L. (2004). Applying the transtheoretical model of change to debt reducing behavior. *Financial Counseling and Planning*, 15(2), 89-100.

Xiao, J. J., O'Neill, B., Prochaska, J. M., Kerbal, C. M., Brennan, P., & Bristow, B. J. (2004). A consumer education program based on the Transtheoretical Model of Change. *International Journal of Consumer Studies*, 28(1), 55-65.

Xiao, J. J., Sorhaindo, B., & Garman, E. T. (2006). Financial behavior of consumers in credit counseling. *International Journal of Consumer Studies*. 30(2), 108-121.

Endnotes

¹ Jing Jian Xiao, 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.

² Jiayun Wu, Doctoral Student, Retailing and Consumer Science, University of Arizona, PO Box 210033, Tucson, AZ 85721; Email: jwu@email.arizona.edu.