The Coalition For Consumer Bankruptcy Debtor Education: A Report On Its Pilot Program

Susan Block-Lieb
Fordham University School of Law, sblocklieb@law.fordham.edu

Corinne Baron-Donovan
CUNY Bernard M Baruch College

Karen Gross
New York Law School, kgross@nyls.edu

Richard Wiener
University of Nebraska at Lincoln, rwiener2@unl.edu

Survey

THE COALITION FOR CONSUMER BANKRUPTCY DEBTOR EDUCATION: A REPORT ON ITS PILOT PROGRAM[†]

*Susan Block-Lieb**
*Corinne Baron-Donovan***
*Karen Gross****
*Richard Wiener*****

† A program of the magnitude of the Coalition's Pilot Project could not be accomplished without the assistance of a number of individuals and institutions. In addition to our gracious grantors, intermediaries, and contributors, we were privileged to work with a truly dedicated group of people. We want to thank, in particular, Robin Dingle, Susan Glickman, Pamela Horan, Helena Prigal, Rosetta Reid, Debra Rivera, Tara Simone Smith, John Vavas, and Sean Wright. In addition, numerous graduate and law students from City University of New York, Fordham Law School, and New York Law School worked hard to make this project a success and we thank them. Next, we want to thank our home institutions which each, in their own way, contributed to the success of the Pilot Project: City University of New York, Baruch College; Fordham Law School; New York Law School; and the University of Nebraska at Lincoln. We also want to thank the many individuals who freely gave of their time to become debtor educators and taught our debtors.

For information related to the Coalition and its programs, please look at our website at www.debtoreducation.edu.

* Susan Block-Lieb is a Professor of Law, Fordham Law School (sblocklieb@law.fordham.edu).

** Corinne Baron-Donovan is a PhD candidate, Department of Psychology, City University of New York, Baruch College (cdonovan9@yahoo.com).

*** Karen Gross is a Professor of Law, New York Law School (kgross@nyls.edu).

**** Richard Wiener is Professor of Psychology and of Law, University of Nebraska at Lincoln (rwiener2@unl.edu).

INTRODUCTION

Through the Coalition for Consumer Bankruptcy Debtor Education, we completed an eighteen month long study of the effects of a pilot debtor education program in the Eastern District of New York. In this Project, we provided a free financial literacy course to more than six hundred individual debtors.[2] In addition to teaching consumer debtors, the Coalition trained more than 125 individuals to teach financial literacy, both in the Coalition's debtor education classes and on their own, including through community groups with which they were affiliated. Most importantly, the Coalition's Pilot Project was the subject of two empirical studies—one assessing benefits the consumer debtors received from the course and the other evaluating the teacher-training program.

The Coalition's work is important to bankruptcy lawyers, bankruptcy judges, government officials, and academics for several reasons. First, both when we began and ended the Project, pending bankruptcy legislation would have mandated debtor education for every individual filing under either chapter 7 or 13 of the Bankruptcy Code as a prerequisite to discharge.[3] Despite this potential nationwide mandate, ours is one among the small number of financial literacy courses tested with consumer debtors. Moreover, unlike our program, most of the personal financial management courses offered in the bankruptcy context have only been available to those filing chapter 13 debt repayment plans; very few financial literacy courses have been offered to chapter 7 debtors. As such, the Coalition's work can inform lawmakers regarding the implementation of financial management education in bankruptcy.

Second, with or without new bankruptcy legislation, the Coalition's work can assist others across the country and abroad who may be considering introduction of debtor education in their regions on a voluntary basis. We offer this report, in part, as a

---

[2] The Coalition is a nonprofit I.R.C. § 501(c)(3) organization dedicated to designing, implementing, and assessing financial literacy programs. Funding for the Pilot Project came primarily from grants from the National Endowment for Financial Education ® ("NEFE®") project number 005-10-2001, the Educational Endowment Fund of the National Conference of Bankruptcy Judges, the American College of Bankruptcy, and the American Bankruptcy Institute Endowment Fund.

[3] Bankruptcy Abuse Prevention and Consumer Protection Act of 2003, H.R. 975, 108th Cong., 2d Sess. (2003), *available at* http://thomas.loc.gov/cgi-bin/query/C?c108xXGN:

roadmap for those who look to provide financial literacy courses in their district. Indeed, the Coalition hopes that others will adopt its program, including the empirical assessment protocols (with appropriate modifications).

Third, the work of the Coalition has broader implications for consumer borrowers whether or not they have filed for bankruptcy relief. The past few years have seen an enormous growth in interest in financial literacy training for consumer borrowers. As Alan Greenspan recently remarked,

> [i]n considering means to improve the financial status of families, education can play a critical role by equipping consumers with the knowledge required to choose from among the myriad of financial products and providers. Financial education is especially critical for populations that have traditionally been underserved by our financial system. In particular, financial education may help to prevent vulnerable consumers from becoming entangled in financially devastating credit arrangements.[4]

Policymakers look to financial literacy classes as beneficial for consumers as not only a means for resolving their existing financial troubles but, more importantly, with the hope that this education will help consumers avoid prospective difficulties. Despite this growing interest in financial literacy education, very few rigorous studies exist in psychological and consumer literatures. The Coalition's empirical study of the pilot debtor education project may assist more broadly in understanding the desirability and efficacy of financial literacy education.

We look forward to working together with others to improve the ability of all consumer debtors to make wiser and more knowledgeable financial decisions, particularly but not exclusively as they emerge from the bankruptcy system. We hope this report is an important step toward achieving these goals.

I. THE DEBTOR EDUCATION PROGRAM

The Coalition worked to create and provide a high quality financial literacy education program that could be presented to

---

[4] *Hearing Before Senate Comm. on Banking, Housing, and Urban Affairs*, 107th Cong., 2d Sess. (Feb. 5, 2002) (statement of Alan Greenspan), *available at* http://www.federalreserve.gov/boarddocs/testimony/ 2002/20020205/default.htm.

consumers, both within the bankruptcy system and more broadly. Creating and running the Pilot Project involved creating a curriculum, training debtor educators, advertising the program to debtors, developing an approach to ensure debtor attendance at classes, and finally, coordinating and organizing classes that were taught by numerous volunteer teachers at several locations. The Coalition used a number of innovative methods for handling this complex project. In order to minimize costs, we received many in-kind contributions from various sources; we relied on volunteers, independent contractors, and part-time graduate and law student workers. The Coalition also received financial support from grantors.

A. Making Sense of Cents

Making Sense of Cents was the title of the Coalition's debtor education program during the Pilot Project. The *Financial Management Guide* (the "*Guide*"), the workbook based on the curriculum for *Making Sense of Cents,* focused on consumer empowerment. A subcommittee of the Coalition's Board of Directors, which included academics, bankers, debt counselors, a psychotherapist, and specialists in adult education, evaluated materials from other financial literacy training courses for debtors in and outside bankruptcy in preparation for creating our curriculum. An array of topics were reviewed, assessed, and compiled to form the basis of the *Making Sense of Cents* curriculum. Concepts from these materials as well as additional material developed by the Coalition were used to encourage debtors to examine the psychological underpinnings of their spending decisions, help them develop spending and savings plans, provide information that would enable them to receive the maximum benefit from the bankruptcy system's fresh start, alert them to the uses and misuses of credit, and enable them to discuss financial issues.

The *Guide* is comprised of seven units written at a seventh to ninth grade level,[5] including:

[5] The *Guide* was translated into Spanish. Based on what we learned in our various studies, the *Guide* has been revised. To date, it has not been retranslated.

- UNIT 1: MONEY THOUGHTS—A series of questions designed to help consumers examine their attitudes toward money and analyze their current spending habits. Questions address issues such as where participants learned how to handle money, why people worry about "keeping up with the Joneses," and what influences individuals most strongly in their spending.

- UNIT 2: PLANNING AND GOAL SETTING—The importance of having clear plans and goals. This unit encourages consumers to prioritize purchasing decisions by considering the difference between needs and wants and to focus on how their values should influence their goals. It also provides participants with suggestions and strategies for goal setting, repeatedly encouraging them to write down their goals.

- UNIT 3: HOW TO CREATE YOUR OWN FINANCIAL PLANS—Creating spending and savings plans. The unit begins with a discussion of the importance of financial planning and moves to an explanation of tracking and comparing income and expenses in order to create a spending and savings plan. The unit contains a two page tracking sheet participants can use to begin creating their spending plans.

- UNIT 4: SALES, ADS, SCAMS & OTHER $ TRAPS—Legal and illegal business practices that have negative consequences for consumers. This unit begins with a discussion of how consumers are manipulated by advertising to spend money they cannot afford to spend. It encourages participants to examine how emotions influenced their own spending. Business practices discussed in this unit include predatory lending, payday loans, and rent-to-own. Cost cutting strategies consumers can use are also discussed in this unit.

- UNIT 5: CREDIT USAGE—Encourages consumer caution in using credit and provides information to aid understanding of the terms and cost of credit. This unit deals with basic credit math including simple amortization/present value concepts. Tables are provided that demonstrate the difference in overall cost that interest rate and length of loan make to the cost of borrowing. The unit also encourages debtors to think about how they use credit given its cost, such as the cost of making only the minimum payment on a credit card.

• UNIT 6: THE FUTURE—Reestablishing credit. This unit primarily focuses on credit reporting, credit scoring, and creditor/debtor rights. It introduces to consumers how they can obtain their credit report, the meaning of the credit score, and methods for cleaning up their credit report and increasing their credit score. The unit includes the names, phone numbers, and web addresses of the three major credit reporting agencies.

• UNIT 7: RESOURCES—A variety of resources debtors may access for further information about financial management. The unit includes a list of websites, agencies, and books. This unit stresses the importance of ongoing financial education and tools that can be used in evaluating future transactions.

B. Debtor Education Classes

During the Pilot Project, all consumer debtors filing either a chapter 7 or chapter 13 petition in the Eastern District of New York (Staten Island, Queens, Brooklyn, and Long Island)[6] from September 2001 through June 2003 were offered the opportunity to attend a free three hour financial management class taught by a Coalition-trained teacher. Each participant received a free copy of the *Guide*, certificate of completion, and a gift for participating. Debtors were encouraged to take the *Guide* home for future reference. The certificates were intended to enhance debtors' sense of accomplishment and to emphasize the Coalition's commitment to empowerment-based financial literacy education. The gifts were related to the topic of financial management through catchy slogans provided by the instructors—for example, a slinky was suggested to serve as a reminder to "spring back to financial health." The gifts were offered to serve as ongoing reminders to participants of lessons learned in the course. Due to the length and timing of the classes, refreshments were served in an effort to make debtors more comfortable in their learning environment.

[6] While we focused our efforts on the Eastern District of New York, no debtor who wished to enroll in a financial management class was turned away. Individual debtors from Manhattan, the Bronx, and other locations in the Tri-State area participated in our classes. Some family members (non-debtors) also attended classes.

In a typical class, teachers introduced themselves and gave an overview of the course[7] while distributing *Guides* to students and handing out an attendance sheet. They often began by using icebreaking exercises to introduce themselves to the debtors and the debtors to each other, and then spent about fifteen to twenty-five minutes on each unit in the *Guide* with a recommended fifteen minute break about halfway through class. At the end of the session, the teacher thanked the class, signed and distributed certificates of completion, and distributed the gifts.

1. *Location of Classes*

The Coalition offered debtor education classes at a variety of locations. Generally, space was donated. In fact, we rented space for only two of the many classes offered over one-and-a-half years. Classes were held at a credit counseling service, a union's offices, a bar association's offices, Legal-Aid offices, and various bankruptcy attorneys' offices. We also offered a number of classes at New York, Fordham, Brooklyn, St. John's, and Hofstra Law Schools. Some sites provided refreshments and prepared the classroom, while others required that the Coalition set up the room and provide refreshments. More than one hundred classes were conducted.

2. *Community Partnering*

The best strategy for assuring good debtor attendance at *Making Sense of Cents* classes proved to be collaborating with organizations that had an existing debtor constituency. We felt that having the class recommended by an already trusted entity greatly increased the likelihood that debtors would participate.

The most successful of these "intermediary" partnerships in terms of sheer number of debtors educated was the Coalition's partnership with Budget & Credit Counseling Services ("BUCCS"). During the Coalition's relationship with BUCCS, they provided the Coalition with a classroom and storage facility for materials. From

---

[7] During the data collection portion of the empirical study (described later in this report), instructors provided a brief explanation of the study. They asked class participants to complete one questionnaire before each class began. This questionnaire was voluntary for class participants. It was explained that a second questionnaire would be sent three months later, at which time they would be sent $10 for completion of both questionnaires.

June 2002 through March 2003, the Coalition generally held two classes a week at BUCCS. In total, BUCCS hosted over seventy classes ranging from two to fifteen students in size.

There were several reasons for the high attendance rate in the classes at BUCCS. The main factor was that BUCCS requires debtors to come in person to one of two weekday time slots to review and sign their filing materials. This situation guaranteed that debtors would be on-site with several hours of downtime. The class offered by the Coalition, therefore, was convenient for these individuals. The class also offered a complimentary educational service that BUCCS did not have to pay for but which was an added benefit to their clients. As well as being convenient for debtors, this location was also beneficial to the Coalition administratively.

Other intermediary partnerships have been more limited in scope and duration. The New York Legal Aid Society in Brooklyn offered several classes, which, while available to all debtors filing in the Eastern District, were primarily attended by debtors with Legal Aid assistance. The New York Legal Aid Society had representatives at the *Train the Trainer* program, and those Coalition-trained representatives taught the classes Legal Aid hosted. The Coalition coordinated with the New York Legal Aid Society in special mailings for their debtor constituents. Classes at the New York Legal Aid Society were well attended.

3. Debtor Outreach

While the most successful and least labor-intensive strategy for filling classes was collaborating with intermediaries, the Coalition successfully employed several methods to "market" classes directly to debtors. For purposes of the empirical study, it was necessary to mail questionnaires to debtors in order to get enough untrained debtor respondents for the comparison group. The mailings were also used as an opportunity to advertise classes to debtors. The Coalition sent announcements to all debtors filing in the Eastern District of New York from May 2002 through February 2003.

The Coalition obtained filers' addresses directly from the Eastern District's PACER system with permission from the Clerk of the Bankruptcy Court for the Eastern District of New York. Questionnaires, along with a cover letter and flyers that were included in the mailing, came to a total of approximately eighteen pages. Most of the printing was provided free of charge by several organizations in the community, including several law firms, Fordham and New York Law Schools, and a few financial institutions. Addressing and stuffing envelopes for these large mailings involved many hours of labor. Much of this labor was performed by volunteers to whom the Coalition provided beverages and pizza. In all, the Coalition did ten mailings to approximately 15,000 debtors filing in the Eastern District. The mailings ranged from approximately 800 to 2,400 pieces per month. The first eight mailings included a questionnaire and an invitation to participate in the study along with an invitation to attend the class. The last two mailings only included an invitation to take the class. All completed questionnaires were mailed or delivered directly to the research team for analysis.

Information about classes and copies of the questionnaire were also available for debtors to pick up at the clerk's office and other locations. In addition, the Coalition sent a number of individuals, primarily students from New York and Fordham Law Schools, to § 341 meetings in Brooklyn. These students spoke with debtors and attorneys as well as trustees and other staff of the U.S. Trustee's office regarding debtor education classes. Most of the debtors contacted in this manner were also reached through the mailing. It is therefore difficult to determine how much of an effect having representatives at § 341 meetings had in improving debtor attendance, but it likely had some effect.

The Coalition also approached the U.S. Trustee for the Second Region in regard to recommending the Pilot Project to debtors in the district. As a result, panel trustees were advised to include prepared language about the Pilot Project in their opening statement at § 341 meetings. To our knowledge, at least some of the trustees carried out this initiative. One trustee in the Eastern District sent a letter suggesting debtors attend the Coalition's financial education program. Clearly, the support of the U.S. Trustee and individual trustees is an important factor for promoting debtor attendance at financial literacy education programs.

Class attendance proved to be more of a problem than was initially anticipated. Despite positive feedback from class attendees, the Pilot Project did not receive the benefit of word of mouth recommendations, in part, due to the lack of connections among members of the debtor population. Over the course of the eighteen months that the Pilot Project was conducted, our ability to garner debtor attendance improved. Simply advertising free financial management education for debtors with small additional incentives such as free gifts and refreshments was not sufficient to attract a large number of debtors into a classroom. In our judgment, more effective methods of attracting debtors include working with intermediaries, getting recommendations from individuals whom debtors knew and trusted, offering an assortment of class locations and times, offering programs in non-threatening settings, providing classes that minimized interruption of debtors' schedules, and simultaneous use of multiple communication methods including mailings to each debtor. We found that no single approach guaranteed debtor attendance. Nonetheless, we are aware that communities are unique and organizations trying to replicate our program elsewhere may find different methods more effective for soliciting the largest audience possible for their programs.

C. Train the Trainer

The *Train the Trainer* course was an intensive two day program led by Karen Gross, Susan Block-Lieb, and Olivia Mellan.[8] During the Pilot Project, the training was offered for free to volunteer teachers with the expectation that, following training, they would use the information and materials received to provide their constituencies with debt and money management education. In return, these volunteers were asked to teach the *Making Sense of Cents* curriculum in Coalition scheduled debtor education classes on at least three occasions.

In addition to receiving the financial education training at no cost, another incentive to encourage members of the legal and the banking professions to volunteer as trainers was the granting of Continuing Legal Education ("CLE") and Community Reinvestment Act ("CRA") credit for individuals and institutions participating in the program. Special break out workshops were held during which time appropriate topics were discussed that allowed lawyers and bankers to qualify for these credits.

A total of 127 teachers were trained in the five two day *Train the Trainer* sessions provided by the Coalition in 2001 through 2002.

[8] Olivia Mellan is a money therapist and author of such books as MONEY SHY TO MONEY SURE: A WOMAN'S ROADMAP TO FINANCIAL WELL-BEING (2001) and OVERCOMING OVERSPENDING: A WINNING PLAN FOR SPENDERS AND THEIR PARTNERS (1995).

Additional teachers were trained in sessions offered in December 2003.

Training Sessions	Number of Instructors Trained
July 26 and 27, 2001	16
January 10 and 11, 2002	28
June 6 and 7, 2002	30
October 24 and 25, 2002	31
November 7 and 8, 2002	22
December 8 and 9, 2003	37
Total Instructors Trained:	**164**

Trained individuals came from various backgrounds, including the legal profession, financial institutions, community-based nonprofit organizations, and educational institutions. Recognizing the diversity of the volunteer teachers, the curriculum used in the *Train the Trainer* session followed a three-legged stool approach, focusing on imparting substantive information about financial concepts and terminology as well as laws that govern consumer credit, adult pedagogy, and the psychology of money and debt.

All of the *Train the Trainer* sessions followed a similar schedule and generally were two full days in length. We learned over the course of the sessions that one of the keys to successfully running an adult education program of this length was keeping it lively and varied, having several presenters, and seeking interaction of attendees. The program was broken into short segments and trainees were given the opportunity to make choices about which break out workshops they attended. One component of the curriculum was a practice teaching opportunity for all attendees. On the first day of training, trainees were asked to choose a portion of the curriculum to prepare to teach on the second day as if instructing debtors. Upon completion of this practice teaching session, which lasted approximately ten minutes, individuals were given feedback from instructors as well as their peers on the elements that worked well and those to be improved. All of this aided the volunteer participants to remain engaged in the program and illuminated and assisted them in preparation for leading a debtor education class upon completion of the training.

1. Instructor's Manual

In addition to class preparation, each trainee received a copy of the *Instructor's Manual* (the "*Manual*"). Since the *Guide* contains more information than could reasonably be covered in a three hour class, guidelines were offered for how to best conduct a class of this length. We outlined which parts of the curriculum to emphasize, with appropriate time allocations suggested for each unit and segment of the class. The *Manual* contains concrete and detailed suggestions for in-class activities and exercises and a variety of presentation tips. Currently, the *Manual* contains the following:

- **Suggested Time Segments:** a grid that suggests times for each portion of each unit for two, three, and four hour classes.
- **Logistics:** includes a description of what instructors can expect for classroom setup, what instructors need to do to prepare for class, supplemental ideas for polishing presentation skills, a list of materials and supplies that the Coalition will provide, and a reminder about giving debtors their gift and certificate of completion at the end of the class.
- **Starting the Class:** outlines how instructors should begin the class—including introducing themselves, doing an "ice-breaking" exercise, and providing an overview of the class.
- **Unit-by-Unit Teaching Strategies:** includes suggestions for stimulating class discussion for each unit, presentation suggestions, teaching tips, and a reminder to emphasize the "key" to each section.

2. Mentoring Program

Due to the varied background of volunteer instructors, some of the less experienced volunteers expressed reservations about their ability to teach financial literacy. Others were intimidated by the substantive materials. Several volunteers explicitly stated that they were uncomfortable teaching in general, while others backed down from their commitment without expressly stating a reason. To allay these concerns, the Coalition introduced a mentoring program for its teachers. The Mentoring Program addressed these issues by pairing new instructors with mentors who had had experience teaching the *Making Sense of Cents* curriculum. The Mentoring Program sought to:

- Help educators overcome apprehension about teaching classes and speaking in front of strangers;
- Help teachers become more familiar and comfortable with the subject matter;
- Address educators' questions about preparation for classes;
- Discuss with instructors what can be expected from debtors during a class, including attitudes, apprehensions, anxieties, reluctance to participate, and potential questions;
- Share teaching experiences, discuss strategy, and make suggestions;
- Observe classes and provide feedback;
- Co-teach classes;
- Provide guidance about motivating individual participation and enthusiasm;
- Provide encouragement, strengthen self-esteem, and boost confidence through coaching;
- Help bolster teaching skills and offer ideas to overcome particular problems or impediments; and
- Act as a resource for substantive questions.

New instructors not yet scheduled to teach classes were contacted and asked if they wanted to have a mentor, if they were interested in observing another teacher's class, and if they would like to co-teach their first class. Instructors were contacted shortly after their first class to see how the class went. Mentors kept a confidential and anonymous record of instructors' issues, suggestions, progress, and attitudes. Because involvement in the Pilot Project was short term, the commitment that the Coalition required from its mentors was more flexible than the commitment required in a typical mentoring program. Instructors trained by the Coalition were offered either, or both, of the following mentor relationships:

- **Pool of Mentors:** Mentors were available to meet with educators or to answer questions via phone and email. After an instructor contacted the Coalition, mentors were notified, and one would volunteer to contact the instructor to answer any questions.

- **Personal Mentor:** An instructor could also ask to be matched with a personal mentor. For a period starting approximately seven to ten days prior to the educator's first financial literacy class and ending approximately two weeks after the educator's last class, the educator enjoyed an ongoing relationship with one mentor. A seven to ten day window prior to the first class allowed sufficient time for preparing the first class, discussion of strategies, discussion of expectations, and anything else the prospective teacher wanted to address. A two week window after the class allowed sufficient time for follow-up and feedback.

3. *Chapter 13 Memo*

In response to feedback from classes, the Coalition provided teachers with a memo on teaching chapter 13 debtors. Chapter 13 debtors had commented that portions of the material in the course did not apply to them because they were not permitted to access new credit, lacked control over their budget, and could not begin a savings plan until after they received a discharge. The memo explained to instructors, many of whom do not have a legal background, the differences between chapter 7 and chapter 13 bankruptcy cases.

The memo recommended several strategies for dealing with concerns raised by chapter 13 debtors. The memo contained unit-by-unit suggestions, primarily regarding the debtors' lack of control over many aspects of their finances. Suggestions in the chapter 13 memo included:

- Assure chapter 13 debtors that *they* have control over their lives—not the trustee;

- Address budgeting within the budget created for the chapter 13 plan to help ensure the successful completion of the chapter 13 repayment plan;

- Invite chapter 13 debtors to describe how they created their budgets with their lawyers;

- Emphasize universally applicable material and strategies for postdischarge savings and budgeting.

D. Administration

To offer the debtor education classes, the Coalition had several ongoing administrative responsibilities: locating facilities to host classes; coordinating with facilities to ensure teacher and debtor access to classrooms; ensuring that class supplies arrived on time for classes; coordinating and arranging volunteers to teach classes; confirming attendance with both teachers and debtors for classes in which they were scheduled; and, one of the most challenging tasks, getting debtors into classes.

To ensure that the program ran smoothly, it was necessary to have ongoing contact persons to assist the debtors and volunteer teachers. Our contact person for debtors was accessible via a phone number at New York Law School; this contact person served as a means for debtors to sign up for classes and ask questions throughout the Pilot Project. The contact also called debtors to confirm attendance before class sessions. Other Coalition staff members acted as contact persons for volunteer teachers. These staff members contacted teachers prior to classes to confirm their teaching availability, inform teachers of expected debtor class attendance, explain any specific preparations for the class location, and review details before the class.

1. Administrative Recommendations for Successfully Running Educational Classes

For those seeking to replicate or embark on running a financial literacy education system, we make the following general recommendations based on challenges we faced throughout the Pilot Project and the solutions we devised:

- Verify that classes are located in a suitably sized space. Facilities that are too large reduce the intimacy and increase the formality of the class. Facilities that are too small may decrease attendees' ability to learn. Use seating arrangements that are not traditional hierarchical classrooms with the teacher at the front.

- Verify that facilities are reserved for exclusive use of the class for the entire time period. Unwanted interruptions or double booking cause considerable hassle and influence the flow of the class.

- Try to keep the debtors' attention for the entire duration of the class. If they are preoccupied with other commitments, phone calls, etc., the educational experience of all class members can be negatively impacted.

- Try to make sure that those recommending classes have a reasonably good understanding of what is covered in the class and can adequately represent the content and format. It appears that honestly and personally advertised classes greatly increase the likelihood that debtors will choose to participate in the class.

II. EMPIRICAL STUDY I

As previously mentioned, all debtors who filed in the Eastern District of New York from May 2002 through March 2003 were invited to participate in an empirical study of their experiences following bankruptcy, whether or not they attended a debtor education class. The researchers, Professor Wiener and Ms. Baron-Donovan, conducted the empirical evaluation of the classroom component independent of the involvement of Professors Block-Lieb and Gross. The analyzed results were presented at the National Conference of Bankruptcy Judges in October 2003 and a complete report of the findings is in press in a peer reviewed journal.[9]

---

[9] Richard. L. Wiener, Corinne Baron-Donovan, Karen Gross & Susan Block-Lieb, *Debtor Education, Financial Literacy, and Pending Bankruptcy Legislation*, __BEHAV. SCI. & L. __ (forthcoming 2005).

A. *Study I Overview*

In addition to debtors who participated in the financial management classes (trained debtors), the study had two comparison groups. The first comparison group consisted of individuals who had not filed for bankruptcy (non-debtors). A second comparison group was made up of debtors who neither volunteered for nor received debtor education (untrained debtors).

Respondents were asked to complete the same questionnaire at two different times. Debtors participating in the financial education program filled out the first questionnaire before they participated in the class, early in their bankruptcy case. The remaining two groups filled out the first questionnaire at the time they were recruited to participate in the study (via mail, in class, or through work). All participants were sent the second questionnaire approximately three months after they had completed the first.

This study used quasi-experimental[10] techniques to compare and determine changes in attitudes and behavior toward borrowing and spending of debtors who did and did not receive the proffered education, as well as non-debtors. Considerable work and pre-testing were used to develop a questionnaire that addressed a wide range of financial issues in a comprehensible fashion. At the same time, it was important that the questionnaire could be completed within a reasonable time frame without being burdensome to participants. In addition to demographic information, the questionnaire asked respondents about their attitudes toward borrowing, spending, and money behavior. It also sought to gauge their level of substantive knowledge about basic financial information. Different question formats were used to gather responses in each topic, including responses to hypothetical scenarios, self-reported money behavior, and multiple-choice questions about financial knowledge.

From a pragmatic perspective, this study is significant for several reasons. First, although there have been several reports on

---

[10] In true experiments, researchers randomly assign individuals into treatment and control conditions exerting experimental control over independent variables. As a result of the high level of control, researchers are able to make strong inferences about causation among the variables. Quasi-experimental designs allow less control but examine relationships between variables in their naturally occurring settings. As a trade off for the increased ecological validity, quasi-experimental designs permit only weaker conclusions regarding causation because of potential, plausible rival explanations that the designs may not rule out.

the provision of debtor education to chapter 13 debtors, no one has conducted an extensive empirical study of the feasibility, effects, and potential benefits and detriments of debtor education initiatives on chapter 7 debtors in the bankruptcy system. Second, personal financial education programs are costly to design and implement given the number, diversity, and dispersion of debtors in the bankruptcy system. Before there is a mass expenditure of money to develop curricula, train teachers, arrange implementation systems, and conduct empirical assessments, the efficacy of debtor education should be studied. Study I provides a critical assessment of what a voluntary, single-session, three hour debtor education program can achieve.

The Coalition was particularly anxious to learn answers to the following questions:

- Does financial management education increase participating debtors' knowledge base at a greater rate than any of the control groups?

- Does financial management education alter a debtor's attitude towards spending and borrowing at a greater rate than any of the control groups?

- Does financial management education change a debtor's money-related behavior at a greater rate than any of the control groups?

- Does filing bankruptcy, in and of itself, explain any of the results?

- Can we identify any factors that make debtor education more successful, such as particular aspects of the curriculum, characteristics of the debtors, or the teaching methodologies?

B. Data Collection and Procedure

Data collection began in April 2002. Pre-test questionnaire collection ended in February 2003 in order to allow final post-test questionnaires to be sent out and collected by the end of May 2003. Based on a power analysis, it was determined that roughly one hundred completed post-test questionnaires were sought in each of the three groups in the study. The following are the final number of respondents in each group as of June 2003:

Respondents by Group	Trained Debtors	Untrained Debtors	Non-Debtors	Total Respondents
Pre- & Post-Questionnaires	148	170	105	423
Only Pre-Questionnaire	269	134	41	444
Totals Received	417	304	146	867
Attrition Rate	64.5%	44%	28%	51%

The top row of this table shows the final number of individuals in each study condition. Due to the design of this study, the primary analysis used only individuals who completed both pre-test and post-test questionnaires. The attrition rate shows what percentage of total respondents completed pre-test but not post-test questionnaires.

As indicated by this table, we obtained at least one hundred participants with both pre-test and post-test questionnaires in all three groups. In an effort to increase the final number of study participants, follow-up techniques recommended by social psychologists were employed:

- Approximately three months after completing the first questionnaire, participants were sent a second questionnaire. The mailing included a cover letter again describing the research process. It explained that upon completion of this second questionnaire participants would receive $10 compensation. This mailing included a postage paid return envelope for participants' questionnaires.

- Approximately two weeks after the post-test questionnaire was sent out, a follow-up reminder postcard was mailed. The card simply stated that participants would be paid $10 for completing and returning the post-test questionnaire. A phone number was provided for participants to call if they had questions. This step was implemented after the October 2002 mailing of post-test questionnaires.

- A second reminder postcard was sent approximately four to six weeks after the post-test questionnaire was mailed to participants. (This was the same postcard used and described in step two above.) This second mailing was implemented beginning with the November 2002 post-test questionnaires (such that a second postcard was sent to the November post-test mailing group in December).

By following this process, a response rate of approximately forty percent was achieved for the second questionnaire.[11]

C. Preliminary Findings: Study I

Knowledge. Twelve multiple-choice questions were used to assess the knowledge of each group. Based on paired t-tests[12] of the three groups assessed, only the trained debtor group gained overall knowledge from pre-test to post-test as measured by the questionnaires. A one-way analysis of variance and subsequent post hoc tests[13] showed that while the trained debtors started out with less

[11] The following table shows a breakdown of response rates for each month:

Month	# Sent Out	# Returned	Response Rate as of 6/20/03
August	12	6	50.00%
September	42	14	33.33%
October	96	44	45.83%
November	117	41	35.04%
December	129	61	47.29%
January	147	59	40.14%
February	86	14	16.28%
March	76	39	51.32%
April	32	9	28.13%
May	79	38	48.10%

[12] A t-test is a statistical process used to compare means of two groups to determine if they are significantly different from each other. The paired sample t-test compares the means of one group of individuals who experience two conditions of a variable (e.g., means from a pre-test condition versus means from a post-test condition). *See generally* G.V. GLASS & K.D. HOPKINS, STATISTICAL METHODS IN EDUCATION & PSYCHOLOGY (3d ed. 1996). It is conducted only after a significant omnibus F-test is found comparing all levels of the grouping factor—here, the three levels of the treatment condition.

[13] The Scheffe post hoc multiple comparison method uses all simple and complex contrasts within the analysis model to determine which groups differ from one another based on specific statistical critical values. H. SCHEFFE, THE ANALYSIS OF VARIATION (1959).

knowledge than the untrained debtor and non-debtor groups, they caught up with those groups after completing the financial literacy class.

Attitudes. For each comparison group, pre-test and post-test scores were calculated for personal attitudes, normative beliefs, perceptions of control, and intentions to purchase aggregated across the four unwise spending scenarios. An analysis of covariance revealed that differences between the comparison groups for social norms and perceived control were not significant. But, after controlling for pre-test differences, the trained debtors showed more negative attitudes toward unnecessary spending relative to the other two groups, and less intention to buy than the non-debtors. The untrained debtors were not significantly different on either measure from the non-debtors.

A general linear model was used to test the value of the underlying theoretical model—the theory of planned behavior,[14] in which attitudes, beliefs, and perceptions of control are hypothesized to predict an intention to purchase. Significant differences were found with regard to perceived level of control and intentions to buy across the three conditions. Among participants with low perceived control, positive attitudes, and social pressures toward buying were both predictive of greater intention to buy unneeded products. However, for those high in perceived control, prediction of unnecessary purchasing was lower, and the only predictor of intention to buy was a positive attitude toward unnecessary buying.

Behavior. Self-report questions were used to measure respondent's recent spending, saving, and credit use. Most of these questions were in a Yes/No format.[15] The dichotomous questions were scored with small point values and assessed for behavior change. The gain scores were entered as dependent variables and condition as the independent variable in a multiple analysis of variance. Importantly, there were some indications that training influenced debtors' actual patterns of consumption. Self-reported behaviors showed significant changes in the desired direction for trained debtors' use of credit cards (i.e., number owned, purchases, and balance amount), paying bills, budgeting, and borrowing from

---

[14] Icek Ajzen, *Predicting Dishonest Actions Using the Theory of Planned Behavior*, 25 J. RES. IN PERSONALITY 285 (1991).

[15] One example of the Yes/No questions is "Within the past month, did you review your bills to make sure that there were no mistakes in them?"

predatory lenders. Finally, and perhaps most interestingly, we observed some relationships involving debtors' emotional reactions to buying. We found that compared to non-debtors, those who had filed for bankruptcy reported a much greater likelihood to shop to end an unpleasant mood or emotional state.

III. EMPIRICAL STUDY II

In addition to studying the efficacy of the training class for debtors, the Coalition simultaneously sought to evaluate its *Train the Trainer* program. Educating individual debtors first required training teachers to deliver the *Making Sense of Cents* curriculum. Thus, an evaluation was created to assess the efficacy of this training program. Based on D.L. Kirkpatrick's model of training evaluation,[16] this descriptive study used multiple measures to evaluate the *Train the Trainer* program. We collected focus group data from people who completed the course, assessed trainees' knowledge gain and attitude change through pre-test and post-test questionnaires, and observed trained teachers as they taught to determine whether they made use of the lessons taught in the course.

Preliminary evidence showed that the *Train the Trainer* program was useful, although suggestions for improvement were made. The three levels of evaluation that were sought in this study were reactions, learning, and behavior. The reaction data included both effect and utility of the training sessions. Learning evaluation data included an assessment of both knowledge and attitudes. Behavioral evaluation data consisted of observations of teachers in action during the three hour debtor education classes. Each of the three levels of evaluation is described briefly below.

A. *Reactions via Focus Groups*

Teachers who had completed the training and taught at least one debtor education class were invited to attend a focus group session. In the sessions, they were asked to provide feedback about their satisfaction (effect) with the *Train the Trainer* program as well

[16] D.L. Kirkpatrick, *Evaluating Training Programs: Evidence vs. Proof*, TRAINING & DEV. J. 9 (Nov. 1977); D.L. Kirkpatrick, *Techniques for Evaluating Training Programs*, TRAINING & DEV. J. 78 (June 1979).

as about their level of preparedness (utility) to teach debtors the prepared curriculum. There was an average of five people per focus group. Focus groups lasted approximately two-and-one-half hours each. The researchers asked a predetermined set of questions and probed or guided discussion to elicit as much constructive and complimentary feedback as possible. Respondents' answers were recorded on a flip chart with an attempt to preserve as much of their original language as possible.

Teachers informed us that different people respond best to different teaching techniques and that the goals of the psychology of debt section are laudable, but the teaching method might need some adjustment.

B. *Learning via Questionnaire*

To evaluate how much individuals learned from the *Train the Trainer* sessions, both knowledge and attitude assessments were taken. These both consisted of a short questionnaire given before and after the training session. There were sixteen knowledge questions, with four multiple-choice answers for each question. Adding the number of correct responses created a composite knowledge score. The data revealed that there was a significant increase in knowledge after the training session.

Also assessed were instructors' attitudes about financial information, debtors, and their roles as teachers. Statements were on a five point scale ranging from "completely agree" to "completely disagree." Of the fourteen statements designed to assess attitudes, the data revealed that six of these attitudes changed significantly in the desired direction after the training session.

C. *Behavior via Class Observations*

To evaluate the behavior of teachers, we trained observers to assess skills based on a common checklist. The training was approximately two hours long and used video tapes of individual teachers to demonstrate how to use the behavioral checklist. The skills list was based on the goals of the *Train the Trainer* session. These included general teaching methods, teaching financial concepts, teaching adult learners, and being sensitive to the psychological and emotional elements that are associated with those who have financial difficulty.

Eight trained observers viewed a total of thirty-two classes. Seven of these thirty-two classes were attended by two observers to assess the reliability of the observation checklist. There was an overall average of 86% agreement between observers with more than half of the checklist having 100% agreement. The five categories of behaviors observed were:

- Adult teaching techniques used;
- How engaging teachers were;
- How organized teachers were;
- Communication ability of teachers; and
- Coverage of the financial management guide units by teachers.

The data reveal that the average usage scores were above fifty percent for each of these categories and above seventy percent for four of the five behavior categories. Overall, this implies that the information and skills taught in the *Train the Trainer* sessions were transferred to the teacher's classroom behavior.

D. *Summary of Study II*

Study II informs us that the training sessions altered trainees' attitudes about consumer debtors and consumer borrowing; they also enabled teachers to gain knowledge about consumer finance and consumer bankruptcy law, the psychology of money and borrowing, and adult educational techniques. Generally, teachers were satisfied with the session and felt that it adequately prepared them to teach others. Finally, we saw that skills taught in the training session were transferred to the classroom.

E. *Lessons Learned from Empirical Assessments*

We hope that the techniques used in Studies I and II and the lessons learned from the evaluations will provide insight for others who wish to provide financial education to individuals, either within or outside the bankruptcy system. The value of empirical assessment cannot be underestimated. What we have learned and accomplished will also inform the Coalition's ongoing financial literacy initiatives. Although we do not intend to become long-term providers of financial literacy education, we do plan to revise the *Financial Management Guide* in light of the results of both Study I and Study II and to provide additional teacher training that is enriched by the experience of having trained hundreds of teachers. We also plan to continue to offer some debtor education classes for individuals who have filed bankruptcy in the New York area.

CONCLUSIONS

Through the Pilot Project—which included teaching consumer debtors, training debtor educators, and empirically assessing these efforts—we have learned that introducing financial literacy education within the bankruptcy system is neither an easy nor a simple process. However, with careful planning and thought, such programs are not only possible, but also affordable and valuable. The Coalition's curriculum, teacher training program, debtor delivery systems, classroom experiences, and empirical results will all serve to inform the legislative process as Congress considers pending bankruptcy legislation. With or without legislation, the Pilot Project can assist others interested in financial management education geared toward consumer debtors or other over-indebted individuals.

What has distinguished the Coalition's efforts from those of other providers of financial literacy courses in bankruptcy has been its commitment to empirical assessment of the efficacy of financial literacy initiatives using established scientific methods and independent evaluators. As described, the Coalition sponsored a series of empirical studies headed by Dr. Richard Wiener of the University of Nebraska, formerly of Baruch College in New York City. The purpose of the first study was to evaluate, objectively, the effectiveness of the debtor education program. Specifically, this study focused on assessing whether individuals who completed financial education classes exhibited changes in their knowledge, behavior, and attitudes about money and credit. The second study was an assessment of the teacher training program to determine, among other things, whether volunteers from a wide range of backgrounds could be trained to be effective financial literacy educators.

In the end, we view the Pilot Project as a success. The Coalition educated through a variety of techniques a diverse a group of debtors and evaluated the process every step of the way. We faced unanticipated challenges that have informed our work. Overcoming these hurdles has enabled us to better inform others who are seeking to implement and study a financial training program. In the end, we recognize that financial literacy education is not a panacea that will cure all financial ills, but our experience teaches us that through improved financial management education, individuals can become more thoughtful and knowledgeable participants in our credit-based economy. That is, it seems to us, a worthwhile result.