First Time Versus Repeat Filers: The Likelihood of Completing a Chapter 13 Bankruptcy Repayment Plan

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Factors that explain the likelihood of completing a Chapter 13 repayment plan were identified. Using data from 489 Georgia participants who completed a 3-hour workshop, how factors differed for first-time and repeat filers were investigated. Results indicated that repeat filers were more likely than first-time filers to start an emergency fund, to reduce spending, and to write a spending plan. For repeat filers, six of seven recommended financial management practices were related to the likelihood of completing the Chapter 13 plan. For first-time filers, one practice, organization of financial records, was related to a higher likelihood to complete the Chapter 13 plan. Financial knowledge scores were not related to the likelihood of plan completion for either group.

Key Words: bankruptcy, financial behavior, financial education, financial knowledge

Introduction

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (109th Congress, 2005) requires mandatory credit counseling and education and limits repeat bankruptcies. The regulations provide reason to closely examine the effectiveness of current debtor education offerings. The present study used data from a long-standing debtor education program in the state of Georgia to address factors that influence debtors' likelihood of completing a Chapter 13 repayment plan.

In the recent past, Georgia has been one of the top five states in bankruptcy filings, and about half (53.1% in 2004) of the cases were Chapter 13 filings (U.S. Trustee Program, 2006). In July 2002, the University of Georgia Cooperative Extension Service entered into an agreement with the Standing Chapter 13 Trustee of the Northern District of Georgia to provide financial management workshops throughout the district for individuals entering into Chapter 13 bankruptcy. The goals of the workshops were to improve the level of financial literacy of participating individuals and to increase the likelihood that participants would complete their Chapter 13 repayment plans. The focus of the present study was on the differences between first-time and repeat filers who attended the financial education workshop. The objective was to explore the factors that influence the likelihood that the two groups would complete a Chapter 13 repayment plan.

To identify repeat bankruptcy filers, workshop participants were asked if they had declared bankruptcy more than once. It is not known what definition participants were implicitly using when responding to this question. According to the definition of Sullivan, Warren, and Westbrook (1997), "true repeaters" (p. 235) are only those who successfully complete an earlier filing. With regard to Chapter 13 filings, a successful completion includes finishing a partial repayment plan and subsequently being granted discharge of remaining unsecured debts. Even though the questionnaire did not include this detailed information about repeated bankruptcies, it is generally considered difficult to identify the precise number of "true repeaters" due to the large number of uncompleted Chapter 13 filings, as well as incomplete files at court (Flynn, Bermant, & Bakewell, 2002; Sullivan, Warren, & Westbrook, 1989; 1997). In addition, one might argue that, whether individuals reach discharge or not, the act of filing shows that they were in desperate financial situations and sought protection through the last available option. Whether or not they made it to discharge might be a question more appropriate for legal scholars. For instance,

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debtors may have filed to prevent foreclosure due to unusual foreclosure laws in Georgia and may have had no intention of completing a Chapter 13 repayment plan. Their primary goal would have been only to follow the repayment plan until their mortgage arrears were eliminated and the threat of foreclosure lifted. For the present study, the answers given by the participants were accepted without further inquiry about number of and intention behind the filing.

Theoretical Background

What causes adults to reconsider and change behavior, in particular financial behavior? How does the process of behavior change look? Research on adult development differentiates between sequential models of development and models based on life events or transitions (Clark & Caffarella, 2000). Sequential models, also called stage or phase models, assume that development is unidirectional in nature, that present development is built on past development, and that there is an endpoint (Miller, Levin, Whitaker, & Xu, 1998). Models based on life events recognize that learners' receptiveness to information may be based on their life stage or time of transition.

Based on the work of Baumgartner (2001), the life events and transitions approach to development asserts that people reach more complex, integrated levels of development through active participation with their environment. Called "transformative learning," it is about change in the way people see themselves and in the world they live. Transformative learning is more than merely adding knowledge to what they already know; it shapes their personalities. People are recognizably different after a transformative learning experience (Taylor, 1998). Adult development is considered a continuous journey toward increasingly complex levels of development. This concept of adult development favors critical reflection and discussion (Mezirow, 1991). Mezirow (1990) asserted that through reflection, individuals may arrive at "a more inclusive, differentiated, permeable and integrated perspective." He also maintained that discussion with others is integral to adult learning and development (Mezirow, 1991). This concept recognizes that the learners' willingness to learn new things may be based on their life stage or time of transition. People are often more receptive to information during a time of transition (Daloz, 1986; 1999). During these "teachable moments," people are ready to learn and apply new concepts because of their life situation (Havinghurst, 1972).

Prochaska and Norcross's (2003) transtheoretical model is an example of a stage or phase model. Their theory of transformation suggested that adults do not undertake high-involvement behaviors instantaneously but instead work up to those behaviors through a series of five successive stages. Changes in behavior result when the psyche moves through several iterations of a spiral process that starts with precontemplation and continues with contemplation, preparation, and action. The process ends with the maintenance of the new behavior. Further, the transtheoretical model identifies 10 processes that people use to enable change. According to Wilson and Schlam (2004), the first 5 processes are cognitive or experiential, including consciousness raising, dramatic relief, environmental reevaluation, social liberation, and self-reevaluation, and are associated with the early stages. The remaining 5 processes, stimulus control, helping relationships, counter-conditioning, contingency management, and self-liberation, are said to be behavioral in nature and are used most frequently in the later stages of change. These 10 processes of change work "like independent variables that people need to apply to move from stage to stage" (Prochaska, Redding, & Evers, 2002).

In summary, transformative learning theory and the transtheoretical model of change have guided research on adult development. The literature review that follows identifies empirical research findings that relate to these concepts.

Literature Review

Financial Learning Experiences

Learning about personal finance at home from family and through an allowance as well as through the larger social environment is generally considered beneficial for improving people's financial skills and understanding. As described by the transformative learning theory (Mezirow, 1991), individuals develop through their active interaction with a variety of individuals or groups of people in their environment, including parents, siblings, friends, coworkers, and teachers. Similarly, learning about personal finance at school or in college is commonly considered useful for stimulating good financial behaviors. For instance, Bernheim, Garrett, and Maki (2001) analyzed the effects of personal finance courses in high school through state mandated legislation, and they found that financial learning in high school increased the rates at which individuals save and accumulate wealth during their adult lives. Danes (2004) reported that high school students who studied personal finance significantly improved their financial knowledge, behavior, and confidence immediately after studying the curriculum, as well as 3 months later.

A small number of studies have dealt with the financial learning of college students. Chen and Volpe (1998) found that coursework in business was a significant factor for higher levels of knowledge in personal finance and significantly reduced students' vulnerability for holding misleading opinions and making incorrect decisions. Volpe, Chen, and Pavlicko (1996) focused on investment knowledge and documented that business-related coursework significantly increased knowledge about personal finance.

Financial education offerings in the workplace, in particular retirement planning education, have increased since the passage of the Employee Retirement Income Security Act of 1974, as well as the growth of defined contribution pension plans (Allen, Melone, Rosenboom, & Mahoney, 2003). According to a recent Retirement Confidence Survey, about one third of the workers reported receiving retirement education materials or seminars from an employer or work-related retirement plan provider within the past year (Employee Benefit Research Institute, 2004). Hira and Loibl (2005) documented employees' gain in financial literacy through a half-day long employer-provided workshop that covered a broad array of personal finance topics.

Although the literature indicated that various opportunities exist for financial education, with regard to the present sample of first-time and repeat filers, the question arises whether the two groups had different financial learning experiences in their lifetime. Some learning experiences might have had more impact than others on peoples's financial knowledge and understanding. These learning experiences might have better trained people to manage personal finances successfully. According to Sullivan, Warren, and Westbrook (2001), insolvency was often triggered by an unforeseen life event that significantly increased financial obligations or reduced the ability to repay debt. Repeat filers, on the other hand, might not have had the learning experiences of first-time filers. Limited training in personal finance might increase the likelihood to mismanage personal resources. As Schor (1999; 2000) asserted, unwise financial decisions, in particular overspending, are the main reasons for financial distress. Irrational financial practices might cause repeated financial failures. Therefore,

Hypothesis 1: First-time and repeat filers differ in their financial learning experiences (H1a). Certain financial learning experiences relate to a higher likelihood to complete a Chapter 13 repayment plan (H1b).

Financial Knowledge Score

Financial quizzes are popular tools used to assess financial knowledge and are included in many financial literacy surveys, in addition to socio-demographic, behavioral, and attitudinal measures. Examples of primary knowledge-based surveys that assess a comprehensive range of personal finance topics include the biannual Jump$tart Personal Finance Survey of high school seniors (Jump$tart Coalition for Personal Financial Literacy, 2006), the Personal Financial Literacy Analysis (Chen & Volpe, 1998), and a supplement to the Survey of Consumer Finances (Hilgert & Hogarth, 2003). Behavioral change indicated a higher degree of internalizing of subject matter than a change in knowledge only (Danes, Huddleston-Casas, & Boyce, 1999; Fishbein & Ajzen, 1975). That fact, however, does not lessen the importance of documenting changes in knowledge, because improvement in knowledge is an early stage in the internalization of information (Ajzen, 1985).

According to Prochaska's (2000) transtheoretical model of change, learning new content and skills indicated a readiness to change behavior in the near future. For instance, in the contemplation stage, people could be expected to be more aware of the advantages of a new behavior but also acutely aware of the risks and costs. In the preparation stage, people were on the verge of taking action and needed to set goals and priorities accordingly. They often developed an action plan for how they were going to proceed. Following this notion that a higher level of financial knowledge motivated behavior change, the present study assessed whether first-time filers had an advantage over repeat filers. It might be that a higher level of financial knowledge prevented them from repeat filings. Therefore,

Hypothesis 2: The scores on the financial knowledge quiz differ for first-time and repeat filers (H2a). A higher score on the financial knowledge quiz relates to a higher likelihood of completing a Chapter 13 repayment plan (H2b).

Financial Practices
When assessing financial practices that cause individuals to file bankruptcy, two primary reasons are described in the literature: financial difficulties originating from "illness, unemployment, or divorce" or from the conscious decision to "spend, spend, and spend" (Fay, Hurst, & White, 2002; Lander, 2004). Sullivan et al. (1997; 2001) and Warren and Tyagi (2003) reported that households filed for bankruptcy when unexpected adverse events occurred which increased their financial obligations or reduced their ability to repay their debt. A recent study assessing medical bankruptcy supported the notion that high out-of-pocket costs and lapses in health insurance coverage were major reasons for bankruptcy filings (Himmelstein, Warren, Thorne, & Woolhandler, 2005).

Schor (1999; 2000) asserted that unwise financial decisions, in particular overspending, were the main reasons for financial distress. Lander (2004) reported that learning good financial practices is an appropriate approach to help prevent consumers from acting against their financial best interests. These practices include organizing financial records, paying bills on time, developing a written plan for spending, keeping track of spending, reducing spending, starting an emergency savings fund, and discussing personal finances with family and friends (Garman & Forgue, 2006).

Debtor financial education during a bankruptcy process might initiate behavior changes, because it takes advantage of an individual's developmental processes during difficult life events or transitions (Clark & Caffarella, 2000). The question arose whether the effect of teachable moments on changing financial practices was the same for first-time and repeat filers. It seemed likely that repeat filers would be more ready to learn and apply good financial practices than first-time filers. First-time filers might be more likely to cite the increasing cost of dealing with illness, unemployment, or divorce as the primary reason of increased credit and debt service obligations (Warren & Tyagi, 2003). Perhaps they considered their current situation to be a singular event in their lives caused through external events out of their reach, rather than something that could happen again (Sullivan et al., 2001). As a result, first-time filers might be less inclined to refer to their own financial choices as reasons for their financial failures. Using the stages model, they might be in a contemplation stage rather than a preparation stage with regard to their readiness to change financial behaviors. Thus, this study proposed that repeat filers were more likely to arrive at the insight that a change in personal financial practices was necessary to succeed financially in the future. They might be more likely to be in a preparation or action stage. According to Prochaska (2000), these were the people that are generally considered the most responsive to an educational intervention. Therefore,

Hypothesis 3: Repeat filers intend to employ better financial practices than first-time filers (H3a). A higher likelihood to practice recommended financial practices relates to a higher likelihood to complete a Chapter 13 repayment plan for repeat filers (H3b).

Methods

Procedure and Participants
Between July 2002 and March 2003, the University of Georgia Cooperative Extension Service and the U.S. Standing Chapter 13 Trustee collaborated to provide financial management workshops to recent Chapter 13 bankruptcy filers on a voluntary basis. Information about the workshops was provided at 341 hearings, through direct mailings from the Trustee, and on the Trustee's Website. A total of 125 three-hour workshops were conducted using the *Personal Financial Choices* curriculum developed by the Trustee Education Network (Visa U.S.A. Inc., 1999). The first portion of each workshop focused on administrative procedures and was provided either by representatives from the Trustee's office or, in their absence, a videotape. The remaining portion of the workshop focused on basic financial literacy and was provided by a University of Georgia Cooperative Extension Service professional at six different sites across the Atlanta metropolitan area.

The workshops were conducted twice a month in each of the six locations, with one offered during daytime working hours and the other during the evening or on Saturday. During the last 3 months of the 9-month pilot phase, counties with lower participation rates were provided with only one workshop per month. Of the more than 700 Chapter 13 bankruptcy filers participating in one of the workshops, 489 individuals completed post-class evaluations. The evaluations were distributed and collected on-site. A total of 466 questionnaires were usable for the statistical analysis reported in this paper. The survey questions focused on basic knowledge items and on intended behavior change. The measures used in the present study were developed by one of the authors and have been used previously to assess the outcomes of a variety of financial education programs.

Measures

Bankruptcy filings. A third of the participants (34%) responded *yes* to the question used to dichotomize the sample into first-time filers and repeat filers, "Have you filed bankruptcy more than once?" This question was coded as a dummy variable (*no* = 0; *yes* = 1).

Likelihood to complete a Chapter 13 repayment plan. Participants were asked, "As a result of this workshop, how likely are you to complete your Chapter 13 repayment plan?" Possible answers ranged from *unlikely* = 1, *less likely* = 2, *unsure* = 3, *somewhat likely* = 4, *more likely* = 5. Almost all of the repeat filers (96%) considered themselves more likely to complete the repayment plan compared to the first-time filers (85%).

Formal education. The level of formal education included five categories: *some high school* = 1, *high school diploma or GED* = 2, *some college* = 3, *Associates or Bachelors college degree* = 4, and *Masters or Ph.D. postgraduate degree* = 5. Of the first-time filers, the majority had some college (34.5%), about a fourth had finished high school (27.2%), and one fifth had a college degree (21.3%). One in eight did not graduate from high school (12.9%) and a small number had post-graduate degrees (4.2%). Similarly, of the repeat filers, one third had some college (33.3%), and one third had a high school diploma (32.7%). One fifth had a college degree (22.4%), only 1 in 10 did not graduate from high school (9.6%), and a small number had post-graduate degrees (1.9%).

Financial learning experiences. Six experiences in which financial learning can take place included at home from family, through an allowance, in school (K-12) from a course or teacher, in college from a course or teacher, from society based on trial and error, and in my job through training. Each experience was coded as a dummy variable (*no* = 0; *yes* = 1).

Financial knowledge score. Eight items were used to measure financial knowledge (see Appendix). The responses were recorded on a 2-point scale where *false* = 0 and *true* = 1. For the statistical analysis, the eight items were summed to construct the variable, *financial knowledge*, and the total scores were transformed into percentages ranging from *no answer correct* = 0% to *all answers correct* = 100%.

Financial practices. Seven items were used to measure the likelihood of first-time and repeat filers to adopt financial practices. The items included keep track of spending, pay your bills on time every month, reduce spending for one or more expenses, start an emergency savings fund, develop a written plan for spending, talk with your family about your expenses, and get your financial records more organized. The responses to each item were measured on a 5-point scale ranking from *unlikely* = 1, *less likely* = 2, *unsure* = 3, *somewhat likely* = 4, to *more likely* = 5. The responses were summed to create the variable *financial practices* for the regression analysis.

Limitations

The most serious limitation was the absence of socio-demographic information. Some demographic characteristics were collected with the participant sign-up sheet, but this information could not be matched with the cases that were used in the present study. A goal for the survey was to limit the questionnaire's length to one page. Because the primary purpose was to measure the effectiveness of the workshop, it was decided that demographic items required too much space. Further, the actual outcomes of the Chapter 13 repayment plans (complete plan and receive a discharge vs. dismissal) were not measured. Debtors were asked only if they expected to complete their repayment plan.

Another limitation of the study was its self-selection bias, because participation was voluntary. More than 1,000 cases were filed during each month of the debtor education project but only a very small percentage took advantage of the free workshops. The study is also limited to the responses of a sample of voluntary participants at the end of an educational session. Hence, caution should be exercised when generalizing the results beyond the type of Chapter 13 debtors who were studied here. Furthermore, it is important to recognize that the participants' responses to the financial learning experiences questions were based on their best recollection of situations that had taken place sometime before their participation in the class. Participants might not have recalled their financial experiences correctly or might have exhibited an unwillingness to reveal this kind of information. As a result, there might be instances in which the responses of participants did not accurately portray actual situations. No attempts were made to verify the accuracy of the information provided by respondents.

Results

Bivariate correlation and ordinary least squares (OLS) regression analyses were used to analyze the data with the software SPSS 12.0.1 for Windows. In the following paragraphs, descriptive statistics are presented and are followed by the regression results which are summarized in the second half of the section.

The first hypothesis (H1a) inquired about the participants' differences in their exposure to financial learning experiences. Both first-time filers (FF) and repeat filers (RF) learned primarily from society through trial and error (FF: 51%, RF: 54%), at home from family (FF: 50%, RF: 43%), and from having received an allowance (FF: 41%, RF: 34%). The remaining three learning experiences (on the job, in school, and in college) were reported by less than one fifth of the filers. The use of the learning experiences did not differ significantly for the two groups (see Table 1 for means and standard deviations).

Table 1. Correlation Results, Means, and Standard Deviations for the Likelihood to Complete Chapter 13 Repayment Plan by First-Time Filers and Repeat Filers

	Likelihood to complete Chapter 13 repayment plan			
	First-time filers (n = 290)		Repeat filers (n = 159)	
Variables	r	M (SD)	r	M (SD)
Formal education	.013	2.76 (1.07)[c]	.100	2.74 (0.98)[c]
Financial learning experiences				
At home	-.003	0.47 (0.50)[d]	.009	0.43 (0.50)[d]
Through allowance	.094	1.59 (0.49)[d]	-.075	1.66 (0.47)[d]
In school (K-12)	-.005	0.17 (0.36)[d]	.020	0.14 (0.35)[d]
In college	.048	0.15 (0.36)[d]	.030	0.16 (0.37)[d]
From society	-.025	0.51 (0.50)[d]	.056	0.54 (0.50)[d]
On the job	-.136[b]	0.18 (0.39)[d]	-.059	0.18 (0.39)[d]
Financial knowledge scores	.064	82.60 (10.84)[e]	.173[b]	83.45 (10.63)[e]
Financial practices	.267[a]	4.84 (0.50)[c]	.671[a]	4.91 (0.35)[c]
Track spending	.300[a]	4.83 (0.49)[c]	.653[a]	4.79 (0.53)[c]
Pay bills on time	.232[a]	4.76 (0.54)[c]	.607[a]	4.85 (0.43)[c]
Reduce expenditures	.288[a]	4.68 (0.69)[c]	.494[a]	4.79 (0.50)[c]
Start emergency fund	.199[a]	4.75 (0.58)[c]	.587[a]	4.83 (0.44)[c]
Write spending plan	.314[a]	4.66 (0.82)[c]	.424[a]	4.72 (0.83)[c]
Talk with family	.376[a]	4.90 (0.38)[c]	.713[a]	4.92 (0.34)[c]
Organize records	.379[a]	4.78 (0.40)[c]	.785[a]	4.84 (0.35)[c]

[a]Correlation is significant at the 0.01 level (2-tailed). [b]Correlation is significant at the 0.05 level (2-tailed). [c]Mean value: scale ranging from 1 (*low*) to 5 (*high*). [d]Mean value: dummy (0/1) variable. [e] Mean value: scale ranging from 0% (*low*) to 100% (*high*).

The second hypothesis (H2a) inquired about the difference of the scores in the financial knowledge quiz between first-time and repeat filers. Descriptive statistics indicated that about two thirds (66%) of the repeat filers answered seven or all eight questions correctly, compared to 58% of the first-time filers. The difference, however, was not statistically significant (t = 0.795, p = .427).

The third hypothesis (H3a) inquired if repeat filers were more likely to practice better financial practices than first-time filers. Both first-time and repeat filers were more likely to start organizing records (FF: 91.8%, RF: 92.9%) and to track spending (FF: 87.4%, RF: 92.4%). Repeat filers were more likely to adopt good financial practices in the following order: reduce spending (86.6%), write a spending plan (85.4%), talk with family about expenses (85.2%), pay bills on time (83.3%), and start an emergency fund (83.3%). First-time filers were more likely to assume good financial practices in a different order: pay bills on time (85.6%), reduce spending (80.3%), write a spending plan (79.2%), talk with family about expenses (78.3%), and start an emergency fund (76.0%).

The independent sample t tests indicated no significant differences between the means of the two groups of first-time and repeat filers with regard to the financial practice index variable (t = 1.248, p = .213). However, when examining each single practice, differences were found between the two groups. In particular, the means differed with a significance level less than .10 (two-tailed) in favor of repeat filers to start an emergency fund (t = 1.862, p = .063), to reduce spending (t = 1.723, p = .086), and to write a spending plan (t = 1.667, p = .096). The statistical difference between the means of the four other behavior-related items was greater than a .10 significance level.

Regression Analysis

Ordinary least squares regression analyses were used to assess the power of financial learning experiences, financial knowledge, and financial practices to determine the likelihood of completing a Chapter 13 repayment plan. For the regression analysis, the level of schooling, the six financial learning experiences, the financial knowledge quiz score, and the seven financial practice variables were entered into a regression equation (see Table 2).

With regard to the financial learning experiences (H1b), correlation and regression analyses indicated an inverse relationship between learning about personal finance on the job through training and the likelihood to complete the Chapter 13 plan for first-time filers (r = -.136, p < .05; β = -.158, p = .015). The other financial learning experiences, such as from family at home, through an allowance, from a course or teacher in school, from a course or teacher in college, and from society based on trial and error, were not related to the likelihood to complete the Chapter 13 plan for the first-time filers. Not one of the learning experiences were related to the repeat filers' likelihood to complete the Chapter 13 plan.

Table 2. Regression Results for the Likelihood of Completing a Chapter 13 Repayment Plan by First-Time and Repeat Filers

	Likelihood to complete Chapter 13 repayment plan	
Variables	First-time filers (β) (n = 224)	Repeat filers (β) (n = 133)
Formal education	-.020	.029
Financial learning experiences		
At home	-.065	-.045
Through allowance	.073	-.052
In school (K - 12)	-.041	.018
In college	.061	-.079
From society	-.020	.026
On the job	-.158**	-.005
Financial knowledge scores	-.001	-.046
Financial practices		
Track spending	.049	.243**
Pay bills on time	.133	.178**
Reduce expenditures	-.069	.178**
Start emergency fund	.078	-.060
Write spending plan	-.027	.161**
Talk with family	.026	.129**
Organize records	.387*	.230**
R^2	.263	.658
F	4.921*	15.003*

*p < .001 **p < .05

With regard to the financial knowledge score (H2b), the correlation analysis found a positive correlation between the financial knowledge score and the repeat filers' likelihood to complete the Chapter 13 plan ($r = .173$, $p < .05$), whereas the regression analysis did not support this relationship (β = -.046, $p = .424$). Similarly, the financial knowledge score was not related to first-time filers' likelihood to complete the Chapter 13 plan ($r = .064$, $p = .302$; β = -.001, $p = .986$).

With regard to financial practices (H3b), the correlation analysis found a strong relationship between the seven financial practices and participants' likelihood to complete their Chapter 13 plan, in particular for repeat filers. The regression analysis supported these findings. With respect to repeat filers, six out of seven practices were related to the likelihood to complete the Chapter 13 plan. Reducing expenditures (β = .178, $p = .014$), tracking spending (β = .243, $p = .017$), and paying bills on time (β = .180, $p = .020$) were related to the likelihood of successfully completing the repayment plan, followed by organizing financial records (β = .230, $p = .032$), writing a spending plan (β = .161, $p = .037$), and talking with family about expenses (β = .129, $p = .048$). Only the variable, starting an emergency fund, was not related to the likelihood of repeat filers to complete a Chapter 13 repayment plan (β = -.060, $p = .430$).

With respect to first-time filers, only organizing financial records was related to a higher likelihood to complete the Chapter 13 plan (β = .387, $p = .000$). This relationship was highly significant. The other financial practices were not related to this group's likelihood to successfully complete the repayment plan.

Discussion

Using data collected in financial workshops for Chapter 13 debtors, this study advances the literature on the effectiveness of financial experiences, knowledge, and practices on the likelihood of completing a Chapter 13 repayment plan. The results suggest that repeat filers were more likely than first-time filers to adopt a larger number of recommended financial management practices to complete a Chapter 13 repayment plan. Financial knowledge scores did not have a significant influence in this regard. Of the financial learning experiences, the role of financial learning in the work environment was negatively related to first-time filers' likelihood of finishing their repayment plan.

Do Financial Learning Experiences Increase the Likelihood of Completing a Chapter 13 Repayment Plan?

The results suggest that both groups, first-time and repeat filers, did not differ in their lifetime financial learning experiences. Descriptive statistics show that for both groups, financial learning took place outside the classroom. This learning occurred primarily from trial and error and at home through the role model of family members. The influence of the six learning experiences on the likelihood to complete a Chapter 13 repayment plan was small. For repeat filers, none of the learning experiences related to the likelihood of plan completion. For the first-time filers, one variable, learning on the job through training, was related; however, the relationship was negative. An explanation for this finding may be found in the description of the debtor education pilot project by Block-Lieb, Gross, and Wiener (2002). It discusses that debtor education requires specific materials and contents to provide this population with "meaningful, new financial management skills" (p. 511). A closer look at how employers and coworkers interact with employees who have serious financial problems is necessary to better understand the present findings. Using the stage model concept, none of the learning experiences prevail as a motivator to increase the likelihood to complete a Chapter 13 repayment plan.

Do Financial Knowledge Scores Increase the Likelihood of Completing a Chapter 13 Repayment Plan?

The scores on the financial knowledge quiz did not relate to the likelihood of completing the Chapter 13 repayment plan. The financial quiz scores for both first-time and repeat filers indicated that survey participants answered on average six or seven of the eight questions correctly. This score is high compared to the scores of financial knowledge quizzes used in other studies. For instance, in the Jump$tart Personal Finance Survey, only 50.2% in 2002, 52.3% in 2004, and 52.4% in the 2006 survey answered the questions correctly (Jump$tart Coalition, 2006). Likewise, only 50% of the questions were answered correctly by non-business and 61% by business majors in a college student survey (Chen & Volpe, 1998). Hilgert and Hogarth (2003) found an average financial knowledge score of 67%. Although financial knowledge quizzes vary by content, number of questions, and level of difficulty, comparing the results provides a benchmark for drawing preliminary conclusions.

The knowledge quiz used in the present study differed from those listed above in terms of the number of questions asked. It consisted of 8 questions compared to 30 in the Jump$tart Personal Finance Survey (Jump$tart Coalition, 2006), 39 in the college student survey (Chen & Volpe, 1998), and 28 in the Surveys of Consumer Finances questionnaire. The relatively low level of difficulty and the shortness of the quiz might have contributed to the limited explanatory power of this instrument to verify the stage model concept.

Does Adopting Financial Practices Increase the Likelihood of Completing a Chapter 13 Repayment Plan?
The main finding of the present study is that repeat filers reported being more likely to engage in adopting financial practices than first-time filers. Specifically, repeat filers were more likely to adopt six of the seven financial practices as compared to first time filers' who intended to adopt only one financial practice. For repeat filers, only one variable, starting an emergency fund, was not related to their likelihood of successfully completing a Chapter 13 repayment. An explanation for this result may be that emergency savings are prohibited by federal bankruptcy law for individuals in Chapter 13. First-time filers are likely to use one financial practice, organizing financial records, to reach the goal of completing a Chapter 13 repayment plan. These findings may indicate that repeat bankruptcy filings present an event in people's life that encouraged changing previous financial management practices. In line with the concept of transformative learning, learners are considered more receptive to new ideas during difficult life situations. As Barrett (1991) wrote, these times are "windows of opportunity" in which to effect change. Repeat personal bankruptcy seems to represent an acute personal or social crisis that triggers individuals to reconsider and start practicing financial strategies, in particular reducing expenditures, tracking spending, and paying bills on time. The results of the present study indicate the preparation stage as the stage when people are intending to take action in the immediate future.

Implications and Recommendation for Future Research

Results of this study emphasize the need for more in-depth research designed to provide further insights into the effectiveness of Chapter 13 debtor education. For example, future researchers may consider a randomly selected sample that is necessary to generalize the findings. To improve the reliability of a financial knowledge score and financial practices, researchers should consider giving more thought to the knowledge quiz used and to gathering information on changes in actual practices rather than intended changes in financial practices. In addition, future researchers should consider conducting longitudinal studies to collect information about the actual changes in knowledge, practices, and completion of the plan. The information collected will be useful to develop future offerings that will best meet the financial literacy needs of the audience and fulfill the mandate of the bankruptcy reform bill.

Debtor education programs required by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 are being designed and implemented. The educational settings will allow the possibility of gathering a host of data about debtors' perceptions, attitudes, and motives towards their financial behaviors, as well as factual data about their success in completing a Chapter 13 repayment plan. Future study designs may answer the questions addressed by the present study: are the events that cause people to file bankruptcy related with their future financial recovery; what educational format is most effective in providing debtors with relevant financial information and skills; and how many financial learning experiences during a person's lifetime cause financial success or financial strain.

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Appendix

Financial knowledge quiz questions:

1. When you must pay a bill late, it's important to call the company before the bill is due. (true)
2. One needs to have an emergency fund for occasional expenses. (true)
3. It's up to you and your family to decide how much to spend for family expenses. (true)
4. A spending plan helps you meet financial obligations. (true)
5. Free copies of your credit report are only available when you have been turned down for a loan. (false)
6. Your credit report determines how much you will pay for credit. (true)
7. The Chapter 13 Trustee represents me to the creditors I owe. (true)
8. It's OK for me to obtain a credit card or loan while I'm making repayments on my Chapter 13 plan. (false)