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Managing consumer debt: Culture, compliance, and completion

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ABSTRACT

We examine the cultural dimensions of participation in a debt management program (DMP). Archival data from Consumer Credit Counseling Service provide insights into the behavior of consumers in a DMP. Latino clients differ from Anglo clients, and are ultimately less successful in resolving debt problems. A key difference appears to be the expected monthly payment established for clients. While only debt level determines Latinos' expected payment, Anglos appear to better negotiate an expected payment from creditors, increasing their success. Importantly, homophily increases compliance for Latino debtor–counselor dyads. Overall, this study contributes to the transformative service research (TSR) literature by suggesting ways culture influences adherence to and completion of a DMP, leading to financial freedom for consumers in distress.

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1. Introduction

Household decisions regarding use of credit cards strongly affect consumer welfare. Consumer debt grew when the U.S. saw deregulation of the credit card industry. Two Supreme Court rulings "effectively hobbled state usury laws that once protected consumers from being charged excessively high interest rates and fees" (Garcia, 2007, 3). Also, use of sophisticated research methods in the banking industry to segment and target consumers resulted in exploitation of financially vulnerable consumers (Harrison & Gray, 2010). The number of solicitations of consumers by credit card firms has reached almost four solicitations per month per household (Kerr & Dunn, 2008).

Consequently, in the U.S., household debt is the biggest portion of total debt — in July 2008 it peaked at $2.6 trillion, more than $8000 per capita. This number consists of approximately 36% credit card debt and 64% car loans, student loans, appliances, etc. The last time household debt levels were comparable was 1929 (*The Economist,* 2010). New research reveals that consumers are paying off less debt than a year ago, now that "memories of the Great Recession continue to fade" (Yerak, 2014).

Some consumers find they need help addressing debt problems and turn to third parties to help them with creditors and paying down debt. Put in the context of transformative service research, studies that improve these non-profit debt management services have the potential to create "uplifting changes and improvements in the well-being of both individuals and communities" (Ostrom et al., 2010, 9).

This paper is about American consumer behavior and success in paying down this $2 trillion household debt. We theorize that culture plays an important role in compliance with a DMP. Compliance leads to successful completion of the program, thus ultimately facilitating management of consumer debt.

Our research questions are: First, does culture affect the likelihood of compliance in and completion of a DMP? Second, if so, how? Third, do clients similar to their counselors have higher compliance and goal attainment rates in a DMP? We take a hypothesis testing approach in answering the first and third questions. For the second we employ data mining/discovery techniques.

Traditionally Anglo households have carried more credit card debt, while Latinos have had a higher percentage of credit card-indebted households. In 2004, of those with credit cards, 79% of Latino households carried credit card debt; in comparison, 54% of Anglo households carry such debt (Garcia, 2007). Does culture influence financial behaviors? We examine this question in the context of how consumers manage credit. In this archival study, we consider the credit and payment records of more than 700 consumers who have chosen to work with a non-profit credit counseling service.

2. Background

2.1. Consumer compliance, goal attainment, and culture

The conceptual base of this paper is consumer compliance theory (Dellande & Gilly, 1998) which encompasses the extent to which

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consumers follow the orders, guidelines, or advice of experts and/or services suppliers. Do consumers have their oil changed in their automobiles at mileage intervals suggested by the manufacturers? Do patients floss their teeth every night as dentists recommend? Do clients in DMPs make regular payments to creditors as prescribed by debt counselors?

Such customer compliance leads to goal attainment, assuming the recommendations, of service providers are effective. The construct of goal attainment has been treated extensively in the literature; Bagozzi and Dholakia (1999) well demonstrate the potential complexity of the concept describing a hierarchy of goals associated with weight loss (a subordinate goal in their schema) and a potential associated list of focal goals such as health, better appearance, self-esteem, and happiness.

While the compliance dependent service examined here is a debt management program, research in other contexts is relevant (Dellande, Gilly, & Graham, 2004). For example, in healthcare, the rate of noncompliance with therapeutic regimens is on average 50% (Buckalew, 1991; Haynes, 1976). Moreover, customer culture plays a role in compliance in the health area; Flynn, Betancourt, and Ormseth (2011) find that Latino women report lower rates of breast cancer screening compliance than Anglo women.

Personal debt problems may be partially culturally derived. Wide differences in credit card usage are seen across countries. In the U.S. there are 7.4 financial cards and 2.1 credit cards per capita with comparable numbers in Mexico 1.0 and 0.2, respectively (Euromonitor 2010). Japanese use personal credit far less than Americans (Mann, 2002). Certain European countries such as France also exhibit substantially lower per capita credit card usage rates.

Dean et al.'s (2013, 78) study of credit card behaviors in the U.S. found that a respondent's race was not a "significant predictor of the presence of any form of consumer debt." However, Latinos in the United States in comparison to Anglos on average have fewer assets (Plath and Stevenson 2005), larger families (Peñaloza & Gilly, 1986), and less experience with financial markets and financial services in general (Perry & Morris, 2005; Braunstein & Welch, 2002). Financial product choice differs significantly between Hispanic/Latino consumers and their Anglo counterparts. Plath and Stevenson (2005) indicate that Hispanic/Latino consumers prefer less risky investments, e.g., insurance products, over potentially riskier financial products, e.g., common stock, corporate bonds, etc.

In 2012 one survey found average Latino household credit card debt levels to be $10,002, white $9775, and African American $7390. The same organization reports 2008 credit card debt levels at $6066 for Latino, $7315 for white, and $5784 for African Americans (demos.org, 2012). The increase for Latino households was an astonishing 65% during the four-year period. While this change in the comparative debt load suggests new urgency to our study, it also poses new challenges around the generality of our findings. Also, Latino and Black families are more likely to carry credit card debt than Anglo families. The debt burden of Latino households is higher, with 26% dedicating more than 40% of their income to debt, the highest of the three ethnic groups (Garcia 2007). Generally, consumers less experienced with credit cards have been found to overspend, thus increasing monthly installments and the possibility that financial obligations cannot be met (Erasmus and Lebani 2008). Latino consumers in particular "struggle with the every-day reality of financial choices in the United States because of deep-rooted cultural tendencies, lack of information, and lack of access to legitimate financial products" (McMellon and Moore 2008, 143).

2.2. Cross-cultural issues

One way to define the role of DMP agencies is as agent/mediator in the negotiation process between debtors and creditors. In the cross-cultural negotiations literature, three difficulties are usually described as causing less efficient and effective processes and outcomes:

(1) differences in cultural values (Alvarez, Dickson and Hunter 2014), (2) differences in thinking processes, and (3) differences in communication styles (Graham 2009).

Studies have shown cultural values can predict a variety of consumer behaviors. Money et al. (1998) have identified relationship-orientation as a key cultural value affecting negotiation processes in particular. Gelfand et al. (2006) define relationship-orientation as a propensity to more heavily weight personal relationships vis-à-vis information in negotiations. Latino culture tends to be relationship-oriented while Anglo values emphasize information (Hall 1983; Hofstede 2001). In relationship-oriented cultures, time is invested in building and maintaining strong interpersonal relationships that are often hierarchical, even paternalistic in nature (Hernandez Requejo and Graham 2008).

Time orientation (Hall 1983) is one cultural characteristic that potentially affects financial behaviors, with Latino cultures being less oriented to the importance of punctuality than the U.S. (Brodowsky, et al. 2008). Latino culture in the U.S. is influenced by relatively recent immigrants from Mexico and other Latin American countries. Zimbardo and Boyd (1999, 1285) report, "… at length about the syndrome of behaviors and traits associated with a present time perspective [e.g., Latinos] and how they combine to predispose such individuals to greater likelihood of failure when faced with situations demanding delay of gratification, planning, goal setting …" (bracketed comments added). Thus, we should expect Latinos to have more difficulty meeting payment schedules than Anglos.

Relatedly, Peñaloza and Gilly (1986, 294) suggest even deeper differences "in the symbolic nature and perceived value of goods and services." Medina, Saegert, and Gresham (1996) report that Mexican-Americans and Anglo-Americans differ in the most pertinent aspect of values, that is, attitudes toward money. They report Mexican-Americans to be less concerned with financial planning and saving than Anglo-Americans.

Language and communication differences make exchange of information in negotiations more difficult. Informational asymmetries are predicted to be greater for individuals with English as a second language (Dellande and Saporoschenko 2004). Braunstein and Welch (2002) posit that, for minority groups, a language barrier can discourage the establishment of banking relationships. ESL individuals (74% of American Hispanics speak Spanish in the home (Lopez and Gonzalez-Barrer, 2013)) may be less likely to successfully complete a DMP because they have trouble both understanding counselors' questions and instructions, and describing their own specific needs.

2.3. Homophily

Homophily is the degree to which individuals in a dyad are similar on attributes such as demographics, attitudes, and/or values (Touhey 1974). The literature suggests that homophily promotes attitude change and/or cooperation via: (1) clarity of communication, and (2) trust and liking. In the first instance, the literature indicates that when a greater homophily exists between communicators, they are more likely to share common meanings for exchanged messages (Rogers, Ratzan, and Payne 2001). Further, when a target finds a source similar, the target is more likely to listen attentively (Gottlieb and Sarel 1992). Simpson, et al. (2000) suggest that when the receiver perceives him/herself as similar to the source, communication is more effective in shaping or changing attitudes.

Secondly, many researchers have noted that similarity leads to feelings of trust and respect (Simon, Berkowitz and Moyer, 1970), and assumptions about common needs and goals (McGuire 1968). Crosby, Evans, and Cowles (1990, 71) add that in goal-interdependent contexts, "similarity (particularly attitude similarity) may be a cue for expecting the other party to facilitate one's goals."

Theoretical support for the importance of demographic homophily has been consistent. Fischer, Gainer, and Bristor (1997, 364) suggest that, "in service settings where the customer expects to have extensive,

repeated interactions" with the provider, clients may anticipate better service from demographically homophilous individuals because they feel more comfortable. Thus, homophily leads to relationships of liking and trust, and likely motivates cooperation in a DMP.

Finally, there is limited empirical evidence for a cultural effect on the importance of homophily. Vaisey and Lizardo (2010) report that cultural worldviews influence homophily and social network composition. More to the point, Rhee, Yang, and Yoo (2013, 299) report, "Confucian culture strengthened the gender homophily of East Asian employees [compared to Anglo-American employees], especially female employees." Thus it seems sensible to expect relationship-oriented cultures (such as both Confucian and Hispanic) to be more susceptible to the influence of homophily than their information-oriented Anglo-American counterparts.

In the next section, hypotheses related to culture and consumer compliance with a DMP are developed.

3. Hypothesis development and testing (part I)

Credit counseling agencies offer help with repaying debts, potentially transforming the lives of consumers and their families. Typically, a counselor reviews a consumer's financial situation and advises about money management. They may recommend a DMP whereby the agency works with creditors to lower interest rates and waive some fees. As part of the DMP, clients must make regular, timely payments to the agency, which then sends payments to creditors. DMPs often take as much as 48 months to complete (Federal Trade Commission 2011).

In this study, we focus on differences in Latino and Anglo cultural groups in the U.S. Literature suggests that Latinos will have more difficulty in compliance and goal attainment in DMPs for three reasons: (1) they have less experience in and less knowledge about the U.S. financial system. (2) While U.S. financial institutions generally do invest in careful target marketing, they do not invest in educating minority groups in financial matters. (3) Xiao, Tang, Serido and Shim (2011) find parents to be influential in discouraging college students' risky credit behavior. Adult children of Latinos likely are disadvantaged when learning about credit use.

Cross-cultural literature on interactions suggests three additional considerations. First, we might predict that once a personal relationship is established between client and counselor, Latino clients will be less likely to drop out of a DMP voluntarily, thus *enhancing* compliance and goal attainment. Alternatively, Latino clients may also be dropped from programs more frequently for missing payments due to culturally influenced lax attitudes toward punctuality. Third, interpersonal hierarchy and language problems may make counselor/client information exchange less effective and "junior" clients may be less likely to question the authority of "senior" counselors. Both problems may result in less information exchange among clients, counselors, and creditors and may ultimately reduce the compliance and goal attainment of Latinos vs. Anglos.

H1. : Culture will affect consumer compliance and goal attainment in a DMP as measured by a) months in program, b) percent paid, c) goal attainment, and d) program completion, with Anglos having higher compliance and goal attainment than Latinos.

Clients may anticipate better service from homophilous counselors because they feel more comfortable and better understand one another culturally and linguistically. Thus, homophily leads to relationships of liking and trust (Sergio, Jackson, and Pin 2009), and therefore motivates cooperation in a debt management program.

H2. : Homophilous clients and counselors will have higher compliance and goal attainment in a DMP.

The clear consensus of researchers of compliance is that consumers' behaviors are key to attainment of goals, whether they are related to

health, car maintenance, DMPs, etc. That is, eating less, regularly changing oil, and making monthly payments (even if lower than the agreed to level) all make goal attainment more likely.

H3. : DMP clients with higher compliance will have higher goal attainment rates.

Finally, while the focal relationship in this study is the influence of culture on consumer compliance and goal attainment, three kinds of antecedents are included to separate culture's impact from potential covariates: (1) client demographics; (2) client debt structure; and (3) aspects of the debt management program itself (including homophily). Aside from these measures being included in the archives studied, many were also mentioned in discussions with DMP counselors.

4. Method

4.1. The DMP and processes

Consumer Credit Counseling Services (CCCS) of Orange County, CA participated in the research. It is the nation's oldest and largest credit counseling organization and a member of the National Foundation for Credit Counseling. The nonprofit organization has helped tens of thousands of people repay debts. Indeed, clients included in this study have paid more than $4.85 million as they have advanced through the DMP. That is, each client that began making payments in the program made total payments of almost $8000 on average. Based on this success, the organization has earned the trust of creditors nationwide. And because of that trust, creditors work with CCCS clients to make repayment easier. On its website the firm promises, "One call from CCCS and most creditors will stop the collection phone calls, letters, and legal actions giving clients the chance you need to get back on track and regain some peace of mind." Thus, the goal of CCCS is to change consumers' lives for the better.

Clients who prefer to speak Spanish, typically the preference of first generation Hispanic/Latino consumers (Alvarez et al. 2014), are matched with Spanish-speaking counselors, who are often Latinos. For subsequent follow-up appointments, CCCS tries to keep clients with the same counselor when at all possible. The ethnicity of CCCS staff is: 45% Hispanic/Latino, 36% Anglo, 15% Asian/Pacific Islander, and 4% African American.

Whether clients prefer to meet in person, over the Internet, on the telephone or through the mail, a counselor will work with him/her to determine a reasonable debt repayment schedule. The process begins with an in-take interview from which much of the demographic and personal financial structure data were gleaned for this study. Clients provide detailed information about their personal financial situation such as a list of creditors, contact information, amounts owed, delinquencies, etc. The client then signs an agreement for a proposed plan that is then presented to creditors. Most creditors will reduce or eliminate interest charges and late fees. Creditors may make counteroffers that the counselor then presents to the client for agreement. The same counselor handles all aspects of this process, thus ensuring continuity and comfortable interpersonal relationships.

CCCS clients make one payment to CCCS each month toward their repayment plan. These funds are forwarded to creditors in keeping with each client's DMP. Other than a small monthly fee (never more than $35 per month) the entire payment goes directly toward reducing the client's debt.

A record is kept electronically based on the in-take interview, including demographics, personal financial structure information, and subsequently, the agreed to payment plan and compliance and goal attainment. Data were provided from these records.

4.2. DMP clients

The records of 1048 CCCS clients from the years 1992–2008 (almost all started in 2002 and later) were provided. Thus, almost all of these data were collected before the fall 2008 financial debacle. The consumer credit landscape in the United States has changed considerably since 2008, and these changing circumstances may limit the applicability of our findings. Eighty percent of clients provided information about ethnicity during in-take interviews. The ethnicity of the CCCS client base is largely representative of the population of Orange County, CA: 31.4% of their clients self-identified as Hispanic or Latino (versus 33.8% in the general population of the county); 56.6% as Caucasian or Anglo clients (vs. 46.2%); 6.6% Asian-American clients (vs. 16.2%); 3.3% Black clients (vs. 2.2%). This database provided a usable sample including 256 Latinos and 461 Anglos in terms of numbers and representative demographics. Table 1 presents a comparison of the two groups for all the study variables.

4.3. Measures

We draw all the measures of constructs listed in Table 1 from the CCCS archives.

4.3.1. Client demographics

Cultural group (ethnicity), age, gender, and marital status are reported to the counselor during in-take interviews. Income is included in each record (i.e., gross, net, and other income). Medina, et al. (1996, 134) uses this same self-report measure of ethnicity. Its use in this study is consistent with their reasoning: "Ethnic identity self-reporting has been endorsed … as a means of classifying members of ethnic sub-groups because it represent the internal beliefs of the individual and therefore reflects the perceived cultural reality."

4.3.2. Debt structure variables

All creditors are listed by name for each client, providing the total number of creditors and the type of creditor as well. Each creditor was classified into one of ten categories: banks, stores, oil companies, medical, taxes, collection agencies, travel cards, credit unions, and other non-bank cards.

Possession of a mortgage (yes = 1, no = 0), beginning total debt, and the negotiated expected monthly payments were included in the case files.

4.3.3. Elements of the DMP

Four kinds of demographic data (age, gender, marital status, and ethnicity) were available for the 15 counselors assigned to the 717 clients included in the study. Similarity in age was measured using the absolute value of the client/counselor age difference *times* − 1. The other three homophily measures were dummy variables with a value of 1 assigned for matches and 0 for differences between counselors and clients for each of the three demographics separately.

The expected payment could be measured as an absolute value or as a percentage of the total beginning debt. We found the latter measure to be more appropriate for our analysis.

4.3.3.1. Compliance. Compliance was measured in two ways — number of months of program participation and the percentage of original debt paid.

4.3.3.2. Goal attainment. In the CCCS database, each client is assigned to one of four categories: (1) does not make first payment; (2) is dropped after missing two consecutive payments; (3) drops voluntarily to self-administer payments; and (4) completes the program. Goal attainment was measured in two ways: as an ordinal variable as in 1–4 above (degree of attainment), and as a 0/1 variable where completes program = 1 and does not complete program = 0 (completion).

5. Results

5.1. Hypothesis testing

As can be seen in Tables 1 and 2, hypothesis H1a is not supported. However, Anglos were better at one aspect of compliance — the percentage paid was 41.1 versus 34.5 (p < 0.05) for Latinos (supporting H1b). A linear regression was run to further check the relationship

Table 1
Descriptive statistics and group differences.

		Latino clients n = 256, Mean (sd)		Anglo clients n = 461, Mean (sd)	
Client demographics					
1	Age (years)	44.8	(12.6)	45.3	(12.6)
2	Gender (0 = female, 1 = male), females	49%	(50)	42%	(49).05
3	Marital status (1 = single/divorced, 2 = married), married	50%	(50)	32%	(47)*
4	Gross income (monthly)	$1629	(1400)	$2312	(2310)*
5	Net income	$1378	(971)	$1872	(1313)*
6	Other income	$324	(641)	$370	(781)
Debt structure					
7	Mortgage (0 = no, 1 = yes)	12%	(33)	12%	(32)
8	# bank cards	3.1	(2.1)	3.1	(2.3)
9	# travel cards	0.2	(.6)	0.3	(.6)
10	# credit union cards	0.07	(.3)	0.14	(.6)
11	# debt collection agencies	0.7	(1.2)	0.6	(1.0)
12	Beginning total debt	$14,169	(14,313)	$18,990	(29,607) .05
Debt management program					
13	Homophily, age (years)	− 17.7	(10.8)	− 17.0	(10.6)
14	Homophily, gender (1 = match, 0 = no)	0.46	(.50)	0.53	(.50)
15	Homophily, marital status (1 = match)	0.51	(.50)	0.52	(.50)
16	Homophily, ethnicity (1 = match)	0.51	(.93)	0.47	(.84)
17	Expected payment/total debt	2.95%	(2.15)	2.92%	(3.20)
18	Months in program	19.5	(19.4)	22.1	(20.8)
19	% paid	34.5%	(40.4)	41.1%	(44.0) .05
20	Degree of goal attainment (ordinal, 1–4, 4 = completed)	2.32	(6.90)	2.56	(1.04)*
21	Program completed (1 = yes, 0 = no)	16.0%	(36.7)	27.3%	(44.6)*

Group differences statistically significant at *p < 0.01, .05p < 0.05.

Table 2
Degree of program goal attainment.

	Percentage in each cell			
	Entire samples		Lower income only[a]	
	Latinos n = 219	Anglos n = 389	Latinos n = 206	Anglos n = 299
1st Payment default	13.7	14.7	13.1	13.4
Two-consecutive payments missed (dropped)	56.2	41.6	55.8	43.8
Self-administer (voluntarily drop)	14.2	16.5	14.6	17.7
Program completion	16.0	27.2	16.5	25.1
	$X^2 = 14.5, p < 0.01$		$X^2 = 8.5, p < 0.05$	

[a] Low income = less than $3550 for both groups. This correction makes the means of the two groups virtually identical.

between culture and percentage paid while controlling for all antecedent variables. In this test, H1b was not supported.

Additionally, degree of goal attainment is different for Anglos and Latinos, (overall $X^2 = 14.5$, P < 0.01), supporting H1c. We also note that the differences between the groups persist after controlling for income levels (over all $X^2 = 8.5$, p < 0.05). Further, values in the individual cells vary in the predicted ways. Latinos (vis-à-vis Anglos) tend to voluntarily leave the DMP *less* frequently, that is, by making no first payment or choosing to self-administer. However, they were much more frequently involuntarily dropped from the program for missing two consecutive payments than Anglos (p < 0.01).

Anglos more often completed the debt management programs, 27.3% versus 16.0% for Latino clients, supporting H1d. Results of regression analyses run controlling for all other antecedent variables verified the hypothesized relationships between culture and both degree of goal attainment and program completion.

Comparisons between cultural groups for the antecedent variables appear in Table 1. The Latino group includes higher percentages of women and married persons than the Anglo group. Both gross and net income and beginning total debt are higher for Anglos. Indeed, because the two groups are statistically different in so many ways, it was necessary to bifurcate the sample for further analyses. (The correlation matrices are available from the authors upon request.)

For Latinos, homophily with respect to gender was found to be related to aspects of both compliance (% paid $r_L = .209$, p < 0.01) and goal attainment ($r_L = .235$, p < 0.01), providing some support for H2.

H3 was strongly supported for both groups with both goal attainment measures closely related to both compliance measures with an average correlation coefficient greater than 0.6 across all relationships (p < 0.01).

5.2. Control variable relationships

Among the four demographic variables, gender proved to be related to aspects of goal attainment for Anglos (but not Latinos) ($r_A = -.163$ and $-.174$, p < 0.01) and compliance for Latinos (but not Anglos) ($r_L = -.164$, p < 0.01). In both cases, women proved more capable of compliance and goal attainment. Age, marital status, and income were not found to be directly related to compliance or goal attainment.

Among the debt structure variables, having a mortgage hurts aspects of compliance in both groups (degree of goal attainment $r_L = -.171$ and program completed $r_A = -.125$ and $-.132$, p < 0.01). For Anglos, having more collection agencies among their creditors resulted in lower program completion ($r_A = -.146$ (p < 0.01), and aspects of goal attainment. There was no relationship between these two variables for the Latino group.

Only two statistically significant relationships between aspects of the DMP and aspects of compliance and goal attainment were found and only for the Latino group. For Latinos, higher expected payments led to lower levels of compliance (program months and % paid, $r_L = -.350$ and $-.270$, p < 0.01), but not for Anglos.

6. Data mining and discovery (part II)

Partial Least Squares (PLS) regression was used to develop a deeper understanding of the moderating influences of culture (Graham, Mintu-Wimsatt, and Rodgers 1994) on the relationships among the various antecedent variables and compliance and goal attainment. We also checked the hypotheses in an alternative rigorous way (Fornell and Bookstein 1982).

In the model presented in Fig. 1, income is measured using a formative indicator approach (Diamantopoulos and Winklhofer 2001) with
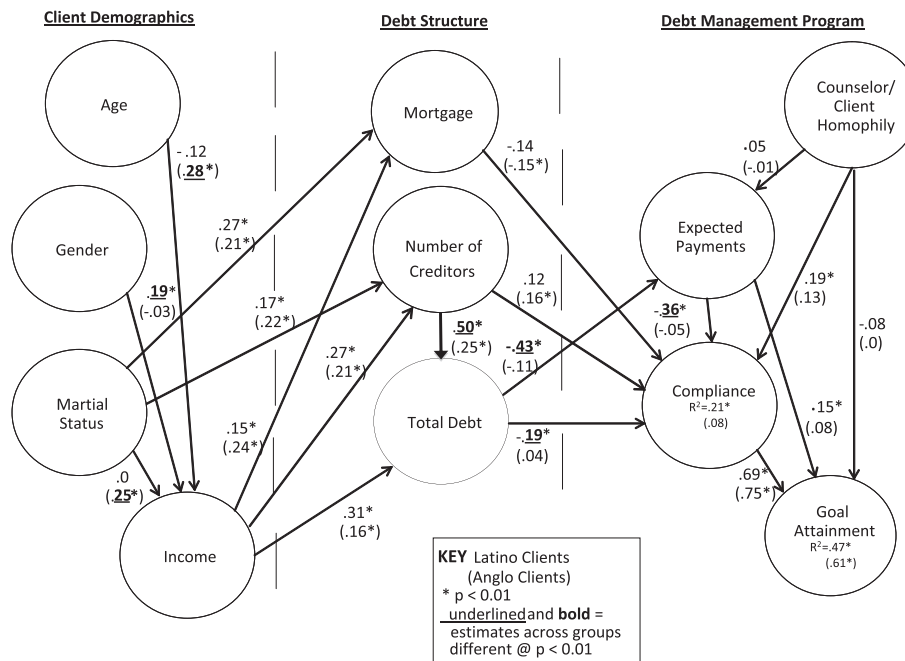

Fig. 1. PLS parameter estimates.

three indicators (gross income, net income, and other income); number of creditors (#s of bank cards, travel cards, credit union cards, and collection agencies) is measured using a formative indicator approach with four indicators. Counselor/client homophily is measured using a formative indicator approach with four indicators (age, gender, marital status, and income). Compliance (number of months in program and percentage of debt paid) and goal attainment (degree of goal attainment and completion) are measured using a reflective indicator approach with two indicators each.

A comprehensive structural equations model was derived from prior theory, results of hypothesis testing, and logic (e.g., demographics precede debt structure variables which in turn precede compliance and goal attainment). The fit of the derived model and data were determined for each group using PLS regression and key results are reported for each in Fig. 1. This approach also allows for checking the moderation effects of culture as well (Perry and Morris 2005).

6.1. Measurement

Five constructs in the model were measured with multiple indicators. Available in the database were three measures of income: gross, net, and other. A formative indicator measurement approach was used for income yielding the following LV weights: gross $= .23_L, .23_A$; net $= .82_L, .63_A$; and other $= .22_L, .87_A$. Thus, gross income proved least useful in measuring income in the context of the comprehensive model; net income was important for both groups; and other income was most important for Anglos.

A formative indicator approach was used for the number of creditors yielding the following LV weights: bank cards $= -.12_L, .48_A$; travel cards $= -.15_L, .06_A$; credit union cards $= -.16_L, .07_A$; and debt collection agencies $= 1.01_L, .78_A$. For both groups, having more debt collection agency accounts was the key determinant of number of creditors.

A formative indicator approach was also used for homophily, yielding the following LV weights: HOMage $= .21_L, .56_A$; HOMgender $= .95_L, .30_A$; HOMmarital status $= .42_L, -.76_A$; and HOMethnicity $= -.09_L, -.29_A$. For Latinos, gender homophily proved to be the dominant determinant of homophily.

Both compliance and completion were measured using a reflective indicator approach, using two indicators each. The eight LV loadings across both constructs and groups ranged from .93 to .96 representing excellent convergence of separate measures of the same constructs.

6.2. Estimates of theoretical parameters

The model works similarly on some dimensions but differently across the two groups in other ways. For both groups, marital status predicts mortgage ($.27_L$ and $.21_A$, $p < 0.01$); that is, married people are more likely to own homes and have mortgages on them. For both groups, income predicts mortgage ($.15_L$ and $.24_A$, $p < 0.01$), number of creditors ($.27_L$ and $.21_A$, $p < 0.01$), and total debt ($.31_L$ and $.16_A$, $p < 0.01$). The relationship between income and total debt is particularly strong for Latino clients. But, in both cases higher income clients tend to have mortgages, more credit cards, and higher total debt. The number of creditors predicts total debt for both groups ($.50_L$ and $.25_A$, both $p < 0.01$). Finally, for both groups, compliance predicts the program completion part of goal attainment very well ($.69_L$ and $.75_A$, $p < 0.01$). That is, clients who stay in the program longer and pay greater percentages of their starting debt progress further in the debt management program and more often achieve their goals. We also note here that direct relationships between gender and compliance and goal attainment persisted in the more rigorous PLS estimates, but at ($p < 0.05$) and thus were not included in Fig. 1.

Group differences in parameter estimates in Fig. 1 are underlined and in bold. For Latinos, only gender predicts income ($.19$, $p < 0.01$); men make higher incomes and the difference in the parameters across

groups is statistically significant ($p < 0.05$); number of creditors predicts total debt ($.50$, $p < 0.01$); total debt predicts expected payments ($-.43$, $p < 0.01$) and compliance ($-.19$, $p < 0.01$); and expected payments predicts compliance ($-.36$, $p < 0.01$). The primary series of relationships for Latinos is: Number of Creditors → Total Debt →(−) Expected Payments → (−) and Compliance → Goal Attainment. That is, Latino clients who have more creditors have higher beginning debt, but lower expected payments. Higher expected payments lead to lower compliance and goal attainment. The model fit to the Latino data explains 21% of the variance in compliance ($R^2 = .21$, $p < 0.01$), and 47% of the variance in goal attainment ($R^2 = .47$, $p < 0.01$). The Latino data and overall model also demonstrate a good fit, RMS Cov (E, U) = .069.

For Anglos, only age ($.28$, $p < 0.01$) and marital status predict income ($.25$, $p < 0.01$); that is, older and married clients tend to have greater incomes. Having a mortgage predicts compliance ($-.15$, $p < 0.01$) — having a mortgage seems to make compliance more difficult for Anglos. Although the overall model fits the data well for Anglo clients (RMS Cov (E, U) = .051) and 61% of the variance in goal attainment is explained ($R^2 = .61$, $p < 0.01$), only 8% of variance in compliance is explained ($R^2 = .08$, $p < 0.01$).

As indicated in Fig. 1, several parameter estimates differ significantly ($p < 0.01$) across the two groups indicating a substantial moderating effect of culture: for the Latino group income is influenced by gender only; for the Anglo group income is influenced only by age and marital status; while the number of creditors influences total debt for both groups, the effect is significantly stronger for the Latino group; total debt influences expected payments for the Latino group, but not the Anglo group, and expected payments influence compliance only for the Latino group.

6.3. Further explorations of the data

Here we drill down in the data guided by the findings in Parts 1 and 2 toward discovery of more complex relationships. First, counselors during the in-take interview report the type of credit problem each client is experiencing. Choices on the form include: income reduction/fluctuation; poor money management; unemployment/job change; medical; increased living expenses; marital/divorce, separation, child support; death in the family; and other. The "poor money management" category was checked for 63.4% of Latinos and 52.3% of Anglos; the difference is statistically significant ($p < 0.01$). Moreover, when all the variables in the study are included as independent variables in regression equations (i.e., both linear and logistic regressions) with "poor money management" (0,1) as the dependent variable, and the Latino and Anglo groups are pooled, ethnicity explains the greatest amount of variation (beta $= -.136$, $p < 0.001$).

Second, expected payment proved to be a central construct in the structural equations model for Latino (but not Anglo) clients. However, as reported in Table 1, there is no difference in the percentage — for both groups the expected monthly payment is 2.9% of the total debt. However, note differences in the standard deviations for the two groups, 2.2 for Latinos and 3.2 for Anglos. A comparison of correlation coefficients between the absolute value of expected payment and total debt suggests a possible cause — $r_L = .895$ and $r_A = .431$, both $p < 0.001$. Indeed, this difference is greater at the higher income levels of the groups. That is, for Latinos, size of monthly payment was mostly a matter of the size of the debt. For Anglos, other matters (e.g., personal biases or circumstances) must have been considered, yielding the greater variance for that group.

7. Interpretation of the results

Cultural differences in these consumers' financial behaviors are manifest in our findings. In our sample of Latino and Anglo clients, we find no difference in their propensity to borrow from a variety of creditors, mortgages included. We do note that Anglo clients carry larger beginning total debt than their Latino counterparts, but Latinos devote a

larger percentage of income toward debt payment once in the DMP, consistent with Garcia (2007).

Latino and Anglo clients differ on almost half the variables used in the study. Table 2 provides the richest representation of these differences as they relate to progress through the DMP. Latino clients are more frequently dropped for missing two consecutive payments, and this difference leads to their lower completion rate as well. This difference might be attributed to a cultural propensity to miss deadlines (Hall 1983), differing attitudes toward financial planning and savings (Medina et al. 1996), and/or simply misunderstandings related to language and inexperience with the U.S. financial system (McMellon and Moore 2008). Indeed, it may be that Anglo clients who are more likely to be information-oriented in their cultural values (than their Latino counterparts) are negotiating with creditors through their counselors for leniency not only in establishing the initial repayment plan, but also regarding late payments or smaller payments during the program. Alternatively, relationship-oriented Latino clients may just accept being dropped without complaint to the higher-status counselors. This is consistent with Chelminski and Coulter's (2007) findings regarding culture's influence on consumer complaining.

Women were found to be better at aspects of compliance and goal attainment in both groups, consistent with the views about gender and relationship-orientation described by Gelfand et al. (2006) and Cron et al. (2009). But overall, only weak support for the hypotheses about the direct effects of demographics and personal financial structure on compliance was found, particularly with respect to Anglo clients. There are two possible explanations: (1) the good work of the counselors and training programs at CCCS wash out the otherwise impactful client characteristics; and/or (2) measures in archival data are not well suited for this sort of study. However, the strong influence of expected payment on compliance for Latino clients is important and worth further consideration.

The structural equations model better shows the relationships among the various constructs and demonstrates both the mediating role of the debt structure and debt management program variables between demographics and compliance/goal attainment, and the moderating role of culture. The structural model does a better job of predicting compliance for the Latino group. The dominant predictive chains are:

Latinos: Gender → Income → Number of Creditors → Total Debt → (−) Expected Payments → (−) Compliance → Goal Attainment. Also, Gender Homophily → Compliance.

Anglos: Age, Marital Status → Income → Mortgage (−) → Compliance → Goal Attainment (mortgage → compliance link is weak).

The central finding of the analyses is the influence of the expected payment on compliance for the Latino group, and not for the Anglo group. Insights from data drilling provide some ideas about deeper reasons: recall that counselors classified Latinos clients more frequently as poor money managers. These judgments may be accurate. That is, Latinos may be worse at on-time performance (Levine 1998), money management and planning (Plath and Stevenson 2004); and less knowledgeable about U.S. financial systems (Braunstein and Welch 2002).

When the expected payment is presented to the Latino clients, there may be little complaint, argument, or negotiation. If a good personal relationship is established with their counselor, Latinos may not object, seeking to maintain the good relationship with their high-status counselor. Or, they may not object because of language difficulties. The

same problems may occur when they are about to miss a payment. Instead of asking for leniency and flexibility, they may just let the relationship end with an impersonal and less humiliating "dropped after two missed payments." Finally, for relationship-oriented Latinos, client/counselor dyads matched on gender appear to be substantially better on compliance as indicated in Table 3.

Contrast this process with Anglo clients who are more likely to complain (Chelminski and Coulter 2007) about "unfairness" and who understand an information-oriented culture. Perhaps the most salient datum in the study is the difference in the standard deviation of expected payments in Table 1. Anglo clients negotiated a wider range of payment options with creditors through their counselors than Latino clients. The service appears to be more customized for Anglo than Latino clients. This is so even though the average expected payment is identical for the two groups at 2.9% of the beginning debt balance.

8. Discussion

This study contributes to the body of research on DMPs, in particular, the influence of ethnicity on consumer debt. Our research also expands the concept of goal achievement to include program completion in an empirical setting. Previous research on goal achievement has been theoretical in nature (Bagozzi and Dholakia 1999) or focused on one-time actions (Zhang and Huang 2010), rather than on the completion of a program requiring commitment over months or years. One exception is Van Houwelingen and Raaij (1989) who, in a field experiment over a one-year period, found that daily feedback regarding energy use resulted in a reduction in natural gas consumption greater than the stated conservation goals.

Cultural differences in values, time perspective, and credit card experience may be reflected in findings that Latino clients are more likely to miss payments and to have poor money management skills attributed to them. Culture not only affects compliance and goal attainment directly, but it also quite clearly moderates relationships among demographic characteristics, debt structure, and customer compliance and goal attainment. The best evidence of this is the differences in the predictive chains across cultural groups described above. Particularly in the multi-ethnic United States, cultural differences must be included in studies of buyer behavior, as they have implications for public and corporate policy.

Finally, the value of a comprehensive model as a tool for exploration of a complex process is demonstrated in the discovery portion of the analysis. It allowed us to go beyond thinking of consumer debt management programs as an interaction between two parties, the debtor and the DMP counselors. Thinking of debt management companies as facilitators/mediators in negotiations between debtors and creditors that proceed during collection processes and interest rate reductions, etc. allows us to begin to develop a more comprehensive understanding of the consumer debt problem, not only for consumers but also financial institutions. Likewise, when government policy intervenes, the government is also acting as a third party mediator.

8.1. Implications for management and policy

Our findings suggest that Latino clients be matched with counselors on gender. While counselors at CCCS maintain relationships with clients throughout the DMP, CCCS does not always match counselors with clients. While such matching complicates the assignment process, as appropriate counselors may not be available at convenient times for particular clients, this additional effort may help ensure the success of clients of different backgrounds through smoother interpersonal communications.

Further, clients who miss two payments while enrolled in the DMP are dropped from the program. In Latino and other cultures, promptness and time are less important than in Anglo culture. Both creditors and debt management agencies may achieve better results with their

Table 3
The Impact of Gender Homophily on the Percentage of Debt Paid, Mean (sd), Latino clients only.

Counselors			
		Men	Women
Clients	Men	38.2% (20.0%)	23.2% (11.1%)
	Women	32.2% (8.8%)	44.5% (21.6%)

cross-cultural clients by considering different time orientations. Counselors aware of this difference can work with Latino clients on time management as well as money management skills. Also, collectivistic cultures such as that of Latinos (Hofstede 2001) may benefit from communities of support. That is, DMPs can offer support groups where individuals receive encouragement and advice when faced with repayment difficulties. Guo, Xiao and Tang (2009) suggest that perceptions of ease of staying in a DMP plays an important role in completing the program. Latino clients in particular may benefit from support that eases feelings of difficulty about the program and provides a richer information exchange environment, thus helping to prevent dropouts.

As the financial services industry becomes more sophisticated in using technology in segmenting and targeting efforts (Harrison and Gray 2010), regulators should be concerned about discrimination against certain ethnic groups. Our findings indicate that the expected payments for Latinos are related only to their total debt while this relationship is less clear for Anglos. CCCS is limited with regard to the expected payment amount by what creditors are willing to do. It may be that creditors are less willing to offer flexibility to Latino clients, hurting both their clients' abilities to succeed and damaging the viability of their own account receivables. It is also important to consider the other negotiations going on in the expected payment determination – that is, between DMP counselors and the creditors. Biases on the part of creditors may leak into the structure of repayment schedules. Our findings can only suggest possible causes for the debt repayment variance between Anglos and Latinos; more research is needed.

8.2. Limitations and future research

Our archival data sources bring with them natural limitations that might be improved in future studies.

There is also an important set of related issues that we could not investigate using these data. For example, interaction related constructs that we have not considered are expertise of the counselors and client ability, role clarity, attitudes, motivation (Dellande et al. 2004), and a plethora of cross-cultural communication issues. The issue of consumer choice of lenders – prime vs. sub-prime – should also be examined in future studies. As well, indebted consumers who choose DMPs may differ from those who do not, and we do not know if culture plays a role in that choice. Another independent variable that might be considered in future studies is financial resilience (O'Neill and Xiao 2011). Other dependent variables may also be studied such as bankruptcy — how do Latinos and Anglos differ on choosing that financial option? Other cultural groups may also be considered, e.g., Black and/or Asian Americans, which are proportionately large and culturally diverse groups in the U.S. Further, neither the Latino nor the Anglo culture is monolithic. Our sample of Latinos was predominantly Mexican-American and other Latino cultures may have different reactions to counselors in a DMP. And as Plath and Stevenson (2014) have shown, degree of acculturation, generational status, and duration of U.S. residency may be important to measure in future studies.

8.3. Conclusion

Marketing has helped financial institutions market services to the diverse American marketplace. Billions of dollars each year are spent on marketing research to design the most appropriate financial services and marketing messages about them, and to promote and deliver those services through an array of communication media. In fact, critics of the industry argue that marketers have done their job too well. Nicosia and Mayer (1976) and others long ago urged marketers also to pay attention to product usage. As well, Ostrom et al. (2010) urge service researchers to investigate ways to enhance consumer and societal welfare through service. Debt management agencies are in the business of helping consumers learn to use credit in ways that serve their well-being. They deserve more help in their efforts. Indeed, given the extent

of the ongoing financial crisis, both government agencies and the largest financial institutions in the world have important financial interests and social responsibilities in this regard.

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