

Navigating debt settlement requires careful communication. A well-structured debt settlement letter can make a significant difference. This guide provides a template, a practical example, and a variation template to assist in drafting an effective debt settlement letter.

## Purpose of a Debt Settlement Letter

A debt settlement letter is written by a debtor to propose a specific payment amount to settle a debt. The letter serves to:

Offer a lump sum payment that is typically less than the full amount owed.

Seek closure of the debt in exchange for the payment.

Create a written record of the settlement offer.

## Key Elements of a Debt Settlement Letter

**Debt Information:** Clearly identify the debt, including any account numbers.

**Settlement Offer:** State the specific amount you are offering to pay.

**Condition of Payment:** Specify that payment is in exchange for a complete release from the debt.

**Request for Written Agreement:** Ask for a formal agreement to be sent before making any payment.

**Financial Hardship:** Optionally, explain your financial situation as a reason for the settlement offer.

**Deadline for Acceptance:** Provide a date by which the offer is valid.

**Contact Information:** Include your contact details for follow-up.

## Debt Settlement Letter Template

[Your Name]  
[Your Address]  
[City, State, Zip Code]  
[Email Address]  
[Phone Number]  
[Date]

[Creditor's Name]  
[Creditor's Address]  
[City, State, Zip Code]

Re: Settlement Offer for Account No. [Account Number]

Dear [Creditor's Name],

I am writing regarding the above-mentioned debt. Due to my current financial situation, I am unable to fulfill the total outstanding balance. However, I wish to settle this debt.

I am proposing a one-time lump sum payment of [Proposed Settlement Amount], which is less than the full amount owed, in exchange for a complete release from this debt. This offer is contingent upon the agreement that no further collection actions will be taken, and the debt will be marked as settled on my credit report.

Please provide a written agreement outlining the terms of this settlement if you decide to accept this offer. I am prepared to make this payment upon receiving the written agreement. This offer will remain valid until [Deadline Date].

I hope we can come to a mutually beneficial arrangement. Please contact me at [Your Contact Information] to discuss

this matter further.

Thank you for your consideration.

Sincerely,

[Your Name]

## Example Letter Using the Template

Michael Thompson  
123 Maple Street  
Smalltown, ST 12345  
michael.thompson@email.com  
(555) 987-6543  
January 29, 2024

ABC Collections  
456 Debt Avenue  
Bigcity, BC 67890

Re: Settlement Offer for Account No. 54321

Dear ABC Collections,

I am writing regarding the above-mentioned debt. Due to my current financial situation, including recent medical expenses, I am unable to fulfill the total outstanding balance of \$5,000. However, I wish to settle this debt.

I am proposing a one-time lump sum payment of \$2,000, which is less than the full amount owed, in exchange for a complete release from this debt. This offer is contingent upon the agreement that no further collection actions will be taken, and the debt will be marked as settled on my credit report.

Please provide a written agreement outlining the terms of this settlement if you decide to accept this offer. I am prepared to make this payment upon receiving the written agreement.

This offer will remain valid until February 28, 2024.

I hope we can come to a mutually beneficial arrangement. Please contact me at (555) 987-6543 or michael.thompson@email.com to discuss this matter further.

Thank you for your consideration.

Sincerely,

Michael Thompson

## Debt Settlement Letter Template Variation

[Your Name]  
[Your Address]  
[City, State, Zip Code]  
[Email Address]  
[Phone Number]  
[Date]

[Creditor's Name]  
[Creditor's Address]  
[City, State, Zip Code]

Subject: Proposal for Debt Settlement - Account No. [Account Number]

Dear [Creditor's Name],

I am reaching out to address my debt under account number [Account Number]. Given my financial constraints, including [Mention any specific hardship, e.g., job loss, illness], fully paying off the debt amount of [Total Debt Amount] is currently beyond my means.

As a gesture of good faith, I propose a settlement amount of [Proposed Settlement Amount]. In exchange, I request that the remaining debt be forgiven, and the account be closed and

reported as settled to the credit bureaus.

This offer is time-sensitive and will remain valid until [Deadline Date]. Upon agreement, I will promptly make the payment. A formal written agreement from your side confirming these terms is required before I proceed.

Your understanding and cooperation in reaching an amicable resolution would be greatly appreciated. You can contact me at [Your Contact Information] for any further discussion.

Looking forward to your positive response.

Best regards,

[Your Name]