



### **“Commercial Debt Reduction Techniques - Constructing Your Settlement Letter”**

**André Larabie**

The Settlement Letter is a formal proposal is a communication that will serve as a written notice to your creditor, or their representative, that you will be representing yourself in these negotiations. It is important that you advise the attorney or collection agency of this fact.

Begin by making a concise statement of the problem(s) you are facing. If you have experienced several financial setbacks, now is the time to convey this to the creditor, the attorney, or the collection agency.

If you have suffered financially due to extenuating circumstances such as employee embezzlement or theft, mention it at this location in the proposal.

If you find yourself in the position of being delinquent in paying this creditor because a customer has gone out of business and owes you a large sum of money that is uncollectible, inform them now.

Also, request a stay of further action while settlement negotiations are ongoing. If legal actions have been initiated, this is a request for an extension of time for yourself to respond to the summons (lawsuit) if you have received one.

Also detail other actions pending against your company. The letter may also suggest that there are potential federal or state tax liabilities that may render all settlement negotiations and payments null and void at any time.

The possibility also exists that you may be forced to exercise other legal options (meaning bankruptcy). Therefore, time is of the essence.



The goal here is to paint a bleak picture of your financial position. Convey that if you are forced to “exercise other legal options,” the result will serve no purpose to any of the parties. In such an event, the creditor will have to wait a significant period of time (possibly 1-2 years in some venues) while going through legal proceedings, and usually they will end up getting nothing.

It makes more sense for them to consider negotiating and putting this matter behind them so they can concentrate on the positive aspects for a brighter future.

This element of the settlement letter is crucial because attorneys and collection agencies handle hundreds, if not thousands of cases. They may not be concerned with the personal issues you are facing.

It helps all parties to better understand how the problem(s) developed, so elaborate where necessary. Also, by providing a more detailed analysis of these problems, they may realize it is going to be more difficult (than they had anticipated) to collect the money from you. This can be very helpful in the negotiations.

Remember, you are not necessarily a bad credit risk. Many prudent business owners find themselves in unexpected situations from time to time. By stating the problem and analyzing the circumstances that created the problem, it provides a better understanding of the situation and also serves to set up the next element of your proposal—personalizing the problem.