

# **Debt Settlement Script**

## **Step 1: Connect to the Right Department**

"Hello, my name is \_\_\_\_\_, and I'm calling about my account with \_\_\_\_\_ [Creditor's Name]. I'd like to speak with someone about settling my outstanding balance. Could you direct me to the appropriate department?"

*(Wait for them to transfer you if needed.)*

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## **Step 2: Explain Your Financial Hardship**

"I want to take care of this debt, but I'm facing financial difficulties due to \_\_\_\_\_ [job loss, medical expenses, reduced income, etc.]. Right now, I don't have the ability to pay the full balance, but I would like to work out a settlement that both of us can agree on."

*(Pause and let them respond.)*

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## **Step 3: Make an Initial Low Offer**

"I've reviewed my finances, and I can offer \_\_\_\_\_ as a **lump-sum payment** to settle this account in full. I'd like to resolve this today if possible. Can we move forward with that?"

*(Start with an offer of 30-40% of the total balance—creditors often counteroffer.)*

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## **Step 4: Negotiate (If They Decline the Offer)**

*(If they reject your initial offer, respond with this:)*

"I understand that's lower than you typically accept. However, this is what I can realistically afford. I want to resolve this, and I'd prefer to do so directly with you rather than letting this debt go unresolved.

Would you be willing to settle for \_\_\_\_\_ [\$X + small increase]?"

*(If they counteroffer but it's still too high, remain firm. If they refuse outright, ask:)*

"What's the lowest amount you'd be willing to accept as a one-time settlement?"

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## Step 5: Confirm the Terms in Writing

*(Once they agree to a settlement amount, clarify the details.)*

"Thank you for working with me. To ensure everything is clear, can you confirm the following details before I make the payment?"

- The total settlement amount is \$ \_\_\_\_\_[\$X].
- Once this amount is paid, my balance will be considered **paid in full** (if possible or alternatively '**settled in full**'). Try to avoid '**settled for less**').
- This agreement will be **provided in writing before I make the payment.**
- My account will be updated as 'Paid in Full' with no further collections or negative reporting to credit bureaus."

*(If they hesitate on 'Paid in Full,' ask if they can mark it as 'Settled in Full' rather than 'Settled for Less Than Owed' to protect your credit score.)*

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## Step 6: Get Written Confirmation Before Paying

"I appreciate your help. Before I make the payment, I need to receive the settlement agreement in writing. Can you send that to me via email or mail?"

*(Do not make any payment until you receive written confirmation of the settlement agreement.)*

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## Step 7: Make Payment & Keep Records

*(Once you receive the agreement, make the payment as instructed and keep proof of payment (receipt, bank record, etc.). If possible, pay via money order or bank transfer to have a clear record. **Never give them your bank routing and account numbers** as they can take out more than agreed upon.)*

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## Step 8: Follow Up to Ensure Account is Closed

*(After the payment posts, call back to confirm the account has been updated as 'Paid in Full' or 'Settled in Full.' Request a letter stating the debt is resolved.)*

"Hello, I recently settled my account with you for [\$X], and I want to confirm that my account now reflects a **zero balance** and is considered **closed and resolved**. Could you send me a final confirmation letter for my records?"

### **Additional Tips:**

- ✓ **Start with a low offer** – Creditors usually counter higher.
- ✓ **Never admit you can pay more** – Stick to your hardship story.
- ✓ **Always get written confirmation before paying** – Verbal agreements don't count.
- ✓ **Negotiate how it's reported to credit bureaus** – Push for 'Paid in Full' or 'Settled in Full.'
- ✓ **Watch for tax implications** – If the forgiven amount is over \$600, it might be taxable income.

## **Types of Settlements**

When settling a debt, creditors and collectors can use different terms when reporting to the credit bureaus. Here are the most common ones and what they mean:

### **1. Paid in Full (*Best Option*)**

- Indicates that the full balance was paid off.
- This is the most favorable outcome for your credit score.
- **Negotiation Tip:** Try to get this even if you're settling for less than the full balance.

### **2. Settled in Full (*Good Option, but Not as Strong as Paid in Full*)**

- Means you paid less than the total amount owed, but the account is now closed.
- **Credit Impact:** Better than "Settled for Less Than Owed" but still not as strong as "Paid in Full."
- **Negotiation Tip:** Request this if "Paid in Full" isn't an option.

### **3. Settled for Less Than Owed (*Neutral to Negative Impact*)**

- Means you paid less than the full amount, and the creditor accepted the lower amount as resolution.
- **Credit Impact:** Can still negatively affect your credit report and may deter future lenders.
- **Negotiation Tip:** Ask if they can use "Settled in Full" instead.

#### 4. Account Paid - Closed by Creditor

- Means the debt was resolved, but the creditor closed the account rather than you.
- **Credit Impact:** Slightly negative, as lenders prefer when the borrower closes an account voluntarily.
- **Negotiation Tip:** Ask for “Paid in Full” or “Settled in Full” instead.

#### 5. Charge-Off (But Paid/Settled Later) (*Negative Impact*)

- Means the creditor gave up on collecting and wrote it off as a loss.
- If you later settle it, it may show as “**Charge-Off Paid**” or “**Charge-Off Settled**”, which is still bad for credit.
- **Negotiation Tip:** If a debt is charged off, try to negotiate to have it removed from your credit report entirely (a “pay-for-delete” arrangement).

#### 6. Paid as Agreed (*Best for Payment Plans*)

- Means you followed an agreed-upon payment plan to settle the debt.
- **Credit Impact:** Better than a charge-off or settlement but not as good as “Paid in Full.”
- **Negotiation Tip:** If making payments, request that they report it as “Paid as Agreed” instead of “Settled.”

#### 7. Payment in Good Standing (*Neutral/Good Impact*)

- Some creditors will mark an account as “In Good Standing” even if it was settled.
- **Credit Impact:** Better than “Settled for Less” but not as strong as “Paid in Full.”
- **Negotiation Tip:** If they won’t give “Paid in Full,” this is a good alternative.

#### 8. Pay-for-Delete Agreement (*Rare, But Ideal for Credit Repair*)

- This means the creditor agrees to **remove** the debt from your credit report in exchange for payment.
- **Credit Impact:** The best possible outcome if you’re trying to repair credit.
- **Negotiation Tip:** Works best with collection agencies rather than original creditors.

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#### Best Strategy for Negotiating Debt Terms:

1. Aim for “Paid in Full” first.
2. If that’s not possible, request “Settled in Full.”
3. If they insist on reporting “Settled for Less,” ask if they can at least mark it as “Paid as Agreed” or “In Good Standing.”

4. **If working with a collection agency, negotiate a “Pay-for-Delete” arrangement.**

