

Consumer Debt Negotiation Playbook

Prepared for clients of Philossaint CPA & Consulting

1. Map Every Debt You Owe

- Pull your free credit report at AnnualCreditReport.com.
- List each balance, APR, last payment date, and whether the account is still with the original creditor or has been sold to collections.

2. Know Your Numbers

- Create a bare-bones monthly budget.
- Identify exactly how much you can pay as a lump sum or monthly hardship payment.

3. Research Your Rights

- Review the Fair Debt Collection Practices Act (FDCPA) and CFPB Regulation F limits on collection calls.
- Check your state's statute of limitations on debt collection.

4. Choose a Negotiation Goal

- Hardship or forbearance plan (freeze interest & fees for 3-12 months).
- Rate reduction + fee waiver.
- Lump-sum settlement for less than the full balance.

Typical Settlement Targets by Account Status

Status	Opening Offer (% of balance)	Likely Landing Zone	Example on \$8,000 Debt
Current / <30 days late	70%	80%–90%	\$5,600–\$7,200
30–180 days late	40%	50%–70%	\$3,200–\$5,600
Charged-off / in collections	25%	30%–50%	\$2,000–\$4,000

5. Prepare Your Pitch

- Gather documentation of hardship: layoff notice, medical bills, etc.
- Draft your opening script and a fallback offer.
- Write down your absolute maximum payment so emotion doesn't derail you.

6. Make the Call

- Ask to speak with the account specialist or loss-mitigation department.
- Explain your hardship and present your concrete offer.
- After making your ask, pause and let the representative respond.

7. Negotiate Details

- Expect counter-offers; move up in small increments.
- Ask for removal of late fees or negative marks when possible.
- If refused, escalate politely to a supervisor.

8. Get the Agreement in Writing

Do not send any money until you receive a signed letter (or secure email) stating the exact amount, due date(s), that the payment satisfies the debt in full, and how it will be reported to credit bureaus.

9. Pay Exactly as Agreed & Keep Proof

Use a traceable method (ACH, cashier's check, or creditor's online portal) and save confirmations indefinitely.

10. Follow Up

Check your credit report 30-60 days later to confirm the account is marked as resolved. Dispute any inaccuracies immediately.

Special Guidance: Settling a Current Account

If your account is still current, creditors are unlikely to offer large principal reductions. However, a lump-sum discount may be possible if you can show a sudden hardship and can send the money within 48-72 hours.

Stage	Opening Offer	Likely Landing	Dollar Range on \$8,000
Initial call (current account)	60–70 %	75–85 %	\$4,800–\$6,800

Trade-Offs to Consider

Option	Pros	Cons
Settle now (75–85 %)	Stops interest immediately; avoids late-payment dings.	Smaller discount; may still be marked as “settled”.
Stop paying & settle after 120+ days (30–50 %)	Much larger discount.	Severe credit score damage; possible collection lawsuits.
Hardship / 0 % payment plan	No settlement mark; full balance repaid.	No principal discount; card may be frozen.

Sample Settlement Script

“Hi, my name is ____ (account # ____). I have experienced a sudden income loss and cannot keep up with the current payments. I can wire **\$5,000 this week** if you can accept it as full satisfaction of the \$8,000 balance and report the account as ‘paid in full’ to the credit bureaus. Can you help me with that?”

Key Reminders

- Forgiven debt over \$600 may be reported on Form 1099-C and could be taxable income unless you qualify for an insolvency exclusion.
- Request the creditor to report the account as “paid in full” or “settled in full.”
- Keep every piece of correspondence and proof of payment.
- Credit impact: A settled-for-less-than-full balance can ding your score, but the hit often fades faster than ongoing 30-day-late marks and compound interest.