



HOW TO 

Write a Collection Letter That Will Get Customers to Pay

The number of delinquent payments, slow pays, and no-pays is growing. Protect yourself by using these collection letter templates that get results.

How to Write a Collection Letter That Will Get Customers to Pay

Debt collection agencies in the U.S. collect more than **\$13 billion of bad debt** each year. And that is only the debt that has been turned over for collection.

The COVID-19 pandemic is also having an impact on businesses of all sizes. The five largest banks (Bank of America, Citigroup, JPMorgan Chase, U.S. Bancorp, and Wells Fargo) disclosed during their recent earnings reports that they are forecasting more than \$104 billion in defaults from consumers. Businesses are also seeing late payments at an astounding rate.

At any given time, **43% of outstanding payments to businesses are unpaid** by the due dates – an increase of 72% from the previous year. Bills that are 90 days past due have doubled and 4% of total outstanding invoices have been deemed uncollectible and written off. The overall **corporate loan default rate** in 2020 was triple what we saw in 2019, totaling \$45.66 billion for the year.

If you are seeing more slow-pays or no-pays, you are not alone. However, you do need to take steps to protect your business to ensure you are paid what you are owed. This starts with sending an email message, making a phone call, or sending a **collection letter**.



Collection Letter Template

The most effective collection process consists of a series of letters. Here is a collection letter template to use for the first contact. It is simple, polite, and to the point.

FRIENDLY REMINDER: Past Due Payment for Invoice # XX

This is a reminder that payment on your account in the amount of [AMOUNT] was due by [DATE].

Please remit your payment promptly per the terms of your agreement dated [DATE] to the address below or through our website at [WEBSITE ADDRESS].

If you have already paid, please disregard this letter.

Always include a copy of the invoice or statement with all collection letters.

If your attempt to collect goes unanswered, use the next collection letter sample. This is designed to get someone to call you and explain the situation.

SECOND REMINDER: Invoice # XX

This is a second reminder that payment on your account in the amount of [AMOUNT] was due by [DATE].

Please remit your payment promptly per the terms of your agreement dated [DATE] at the address below, by calling me at [PHONE NUMBER], or through our website at [WEBSITE ADDRESS].

If you have questions about the attached invoice or any concerns that may prevent you from making a payment, please contact me immediately so that we can discuss them.

If you've already paid, please disregard this letter.

Assuming there has been no payment or contact, a third letter should also include consequences for failing to act. This might include adding a late fee and refusing to extend any additional credit. If an account is 90 days past due — or at whatever your cutoff point is — send a final demand. Here is a collection letter sample for that.

FINAL NOTICE: Invoice # XX

Your account is now seriously delinquent. Payment on your account in the amount of [AMOUNT] was due by [DATE]. We have not received payment nor have you contacted us.

This letter will serve as your final notice. If payment has not been received by [DATE], we will turn your account over to a debt collection agency and report your nonpayment to the appropriate credit reporting agencies.

To prevent this from happening, you can make your payment at the address below, by calling me at [PHONE NUMBER], or through our website at [WEBSITE ADDRESS].

Once you have reached this point, you need to follow through. Empty threats only include continued nonpayment. When businesses are struggling financially, they often ignore all outreach efforts until they receive a final demand letter.

You are also likely to end any business relationship once you send a letter like this. So, use it sparingly and be prepared to take action if the recipient does not respond.

A Coordinated Collections Effort

While using a **collection letter template** should be part of your collection strategy, you should also be using email reminders and making phone calls. This combination of approaches can be powerful because if someone is ignoring all your attempts to make contact, you know there is a problem.



Examine the Customer's Financial Health

If you knew for sure that a business was in trouble or was not paying its bills to other companies as well, you would want to know sooner rather than later so you could take the appropriate steps, right? If you have sent a few letters or made some calls and you are not getting paid, ordering a business credit report is a good way to see if there are bigger problems, and you can then decide if you need to take your collection efforts to the next level. Among other things, business credit reports can help you look for potential signs of trouble, such as:

- **Days beyond term (DBT) for outstanding payments**
- **Creditor balances**
- **Bankruptcies, liens, and judgments**

Some business credit reports also provide credit risk analysis, a financial stability score, and recommendations on credit limits. Ordering a business credit report is also a good way to evaluate a business before you extend credit in the first place.

Proven Collection Letters

Use our collection letter templates to work through your collection process. They have proven to be effective at getting bills paid. They also create a consistent paper trail that documents your efforts in case someone does not pay and you have to send them to collections or take them to court.

View samples of **business credit reports** and order now.

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