

# DEBT SETTLEMENT AGREEMENT

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This Debt Settlement Agreement (this "**Agreement**") is entered into as of [EFFECTIVE DATE] (the "**Effective Date**") by and between:

[CREDITOR LEGAL NAME], [a [STATE] [ENTITY TYPE] / an individual] with an address at [CREDITOR ADDRESS] (the "**Creditor**"); and

[DEBTOR LEGAL NAME], [a [STATE] [ENTITY TYPE] / an individual] with an address at [DEBTOR ADDRESS] (the "**Debtor**").

Creditor and Debtor are each a "**Party**" and together the "**Parties**."

**Recitals.** Debtor owes Creditor an outstanding debt, the full amount of which is disputed or which Debtor is unable to pay in full. To avoid the cost and uncertainty of collection or litigation, the Parties have agreed that Creditor will accept a reduced amount in full and final satisfaction of the debt on the terms below. This Agreement is a compromise of a disputed or distressed obligation and is not an admission of liability beyond what is expressly stated. In consideration of the mutual promises below, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows.

## 1. Background and Outstanding Debt

1.1 **The original debt.** The Parties acknowledge that Debtor is indebted to Creditor in the claimed amount of [ORIGINAL AMOUNT IN WORDS] ([\$ORIGINAL AMOUNT]) (the "**Outstanding Debt**"), arising from [DESCRIPTION, e.g. a loan dated (date), account number, invoices, judgment].

1.2 **No admission.** This Agreement is entered into as a compromise. Nothing in it is an admission by either Party of the validity or amount of the Outstanding Debt or of any wrongdoing, and it may not be used as such except to enforce this Agreement.

1.3 **Authority to settle.** Each Party represents that it has the authority to settle and release the Outstanding Debt and that it has not assigned or transferred the Outstanding Debt or any claim related to it to any third party.

## 2. Settlement Amount

2.1 **Settlement amount.** In full and final settlement of the Outstanding Debt, Debtor will pay Creditor the reduced sum of [SETTLEMENT AMOUNT IN WORDS] ([\$SETTLEMENT AMOUNT]) (the "**Settlement Amount**").

2.2 **No further amounts.** Provided Debtor pays the Settlement Amount in full and on time, Creditor will not seek any additional payment on account of the Outstanding Debt, including unpaid principal, interest, late fees, or collection costs.

## 3. Payment Terms

**3.1 Schedule.** Debtor will pay the Settlement Amount as follows **[choose one]**: (a) in a single lump sum on or before **[DUE DATE]**; or (b) in **[NUMBER]** installments of **[\$INSTALLMENT]** beginning on **[FIRST PAYMENT DATE]** and continuing on the **[DAY]** of each **[period]** until paid in full.

**3.2 Method.** Debtor will pay by **[METHOD, e.g. certified check, wire, ACH]** to **[CREDITOR PAYMENT DETAILS]**. A payment is credited when actually received in available funds.

**3.3 Time is of the essence.** Time is of the essence for each payment. The Parties acknowledge that the reduced Settlement Amount is given in reliance on Debtor's timely performance.

## 4. Release of Claims

**4.1 Release on payment.** Upon Creditor's receipt of the full Settlement Amount, Creditor irrevocably releases and forever discharges Debtor from any and all claims, demands, and causes of action arising from or related to the Outstanding Debt, whether known or unknown, to the fullest extent permitted by applicable law.

**4.2 Scope.** This release covers only the Outstanding Debt described in Section 1 and does not release any other obligation between the Parties unless expressly stated.

**4.3 Waiver of unknown claims.** To the extent permitted by applicable law, each Party waives any statutory or common-law provision that would otherwise preserve claims not known or suspected to exist at the time of release with respect to the Outstanding Debt. Some jurisdictions limit such waivers; the Parties intend this waiver to be effective to the maximum extent the law allows.

## 5. Default by Debtor

**5.1 Default.** Debtor is in default if Debtor fails to pay any portion of the Settlement Amount when due and does not cure within **[NUMBER]** days after written notice.

**5.2 Reinstatement of full debt.** On an uncured default, the release in Section 4 does not take effect (or, if partially performed, is void), and Creditor may pursue the full Outstanding Debt described in Section 1, less any amounts actually paid by Debtor under this Agreement, plus interest and collection costs to the extent permitted by applicable law.

**5.3 Confession of judgment.** **[OPTIONAL — many jurisdictions restrict or prohibit confessions of judgment; discuss with counsel before including. If not used, delete this Section 5.3.]**

## 6. Credit Reporting and Records

**6.1 Account status.** On full payment of the Settlement Amount, Creditor will, to the extent it reports to consumer reporting agencies, report the account as **[settled / paid-settled / paid in full as agreed]**, consistent with applicable law and the Parties' agreement here.

**6.2 No obligation beyond law.** Nothing in this Agreement requires either Party to take any action that violates applicable credit-reporting or consumer-protection law, which varies by jurisdiction.

## 7. Representations and Acknowledgments

**7.1 Voluntary and informed.** Each Party represents that it enters into this Agreement voluntarily, understands its terms, and has had the opportunity to seek independent legal and tax advice.

**7.2 Tax matters.** The Parties acknowledge that forgiveness or cancellation of a portion of a debt may have tax consequences and that each Party is responsible for its own tax reporting and obligations.

7.3 **Binding obligation.** Each Party represents that this Agreement is a valid and binding obligation enforceable against it.

8. General Provisions

8.1 **Governing law and venue.** This Agreement is governed by the laws of the State of [STATE], without regard to its conflict-of-laws rules. The Parties submit to the exclusive jurisdiction of the courts located in [COUNTY, STATE].

8.2 **Entire agreement; amendment.** This Agreement is the entire agreement between the Parties about the settlement of the Outstanding Debt and supersedes prior discussions. It may be amended only by a writing signed by both Parties.

8.3 **Assignment.** Neither Party may assign this Agreement without the other's prior written consent, except that Creditor may assign its right to receive payment on written notice to Debtor.

8.4 **Notices.** Notices must be in writing and sent to the addresses above (or as updated in writing) and are effective on receipt.

8.5 **Severability and waiver.** If any provision is unenforceable, the rest remains in effect. A Party's failure to enforce a provision is not a waiver.

8.6 **Counterparts and electronic signature.** This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

CREDITOR	DEBTOR
Signature: _____	Signature: _____
Printed name: [NAME]	Printed name: [NAME]
Title: [TITLE / N/A]	Title: [TITLE / N/A]
Date: _____	Date: _____

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