



Collection Letter

The collection letter has two objectives: 1) collect overdue funds; 2) maintain a positive relationship with the customer. Most companies have their own formatted letters for handling collections, and in most cases, attorneys are instrumental in the wording of such letters. Most companies use a series of letters in three stages: gentle reminders, advanced reminders, and urgent reminders.

1. **Stage One:** The goal is always to secure the payment; however, your goal is also to maintain a relationship with the client so that he or she will want to pay the bill. This letter usually has two components and the tone is professional.
 - A. Remind the client of the missed payment. By suggesting that the missed payment is an unintentional oversight, it will provide the customers with an option to save face.
 - B. Remind your client of his or her excellent credit rating and the need to maintain that rating.
 - C. Request the payment. You can include a sales list and invite the customer to send his or her order in with the payment.

2. **Stage Two:** Your tone should be firmer than the first letter, and the wording should be more direct.
 - A. Ask directly for the payment and remind the client of the need to maintain good credit. Offer the client an opportunity to call and discuss arrangements. If possible, work out a repayment schedule. If your company will allow you latitude with the payment, you might suggest removing any late fees or penalties.
 - B. Remind the client of the positive relationship he/she has had with your company in the past.
 - C. Offer an opportunity to make payment arrangements. Send a SASE (Self Addressed Stamped Envelope). Your tone should be firm but never rude or sarcastic.

3. **Stage Three:** The goal is to remain professional but firmer than before. The demand for payment is more explicit.
 - A. This is an urgent request. Explicitly ask for repayment and remind him or her that the payment is past due. Remind the customer of the generous extension of time your company has offered.
 - B. Urge the customer to pay at once to avoid legal action. Include information about how this will damage his or her credit.
 - C. Send a SASE and again offer an option for a response. Give him or her a time limit before going to an attorney.