

Letter of Explanation for Forgiven Debt Implications

[Your Name]

[Your Address]

[City, State, Zip Code]

[Email Address]

[Phone Number]

[Date]

[Recipient's Name]

[Recipient's Address]

[City, State, Zip Code]

Subject: Explanation of Forgiven Debt Implications

Dear [Recipient's Name],

I hope this letter finds you well. I am writing to provide clarification regarding the implications of the forgiven debt related to my account, [Account Number or Reference]. As you may be aware, the total amount of \$[Amount] was forgiven on [Date of Forgiveness].

Please be informed that the cancellation of this debt may have certain tax consequences, as the Internal Revenue Service (IRS) considers forgiven debt as taxable income. I will need to report this amount when filing my taxes for the year [Tax Year].

Moreover, this event could affect my credit report. While my overall debt obligation has decreased, I understand that my credit score may fluctuate as a result of this change. I will be monitoring my credit report closely and will consult with a financial advisor if necessary.

If you require any further information or documentation regarding this matter, please do not hesitate to contact me at the details provided above. Thank you for your assistance and understanding.

Sincerely,

[Your Name]