THREE ON THURSDAY

First Trust

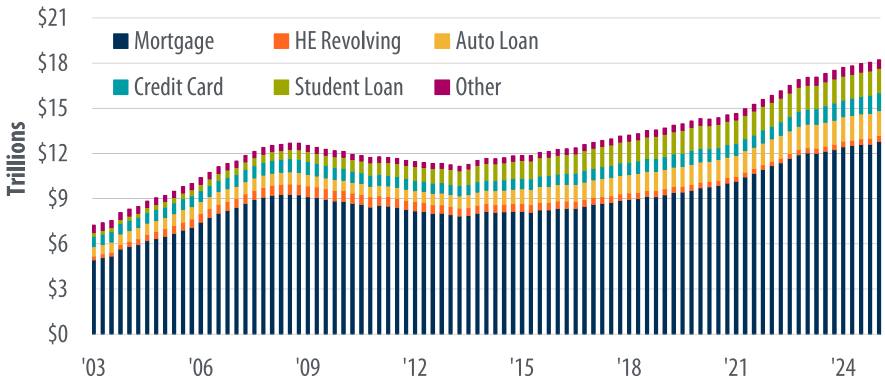
FIRST TRUST ECONOMICS

May 22, 2025

How Are U.S. Households Holding Up? A Q1 Debt Check-In

In this week's "Three on Thursday," we explore the current state of indebtedness and financial health of U.S. households in the first quarter of 2025. Each quarter, the Federal Reserve Bank of New York provides a comprehensive overview of consumer borrowing and repayment trends, drawing from a nationally representative sample of Equifax credit reports. This data is thoroughly analyzed to estimate the total debt balances and delinquency rates across the country, offering valuable insights into how American households are managing their financial obligations. Curious about the latest trends? Dive into the three charts below to get a clearer picture of where things stood in the first quarter.

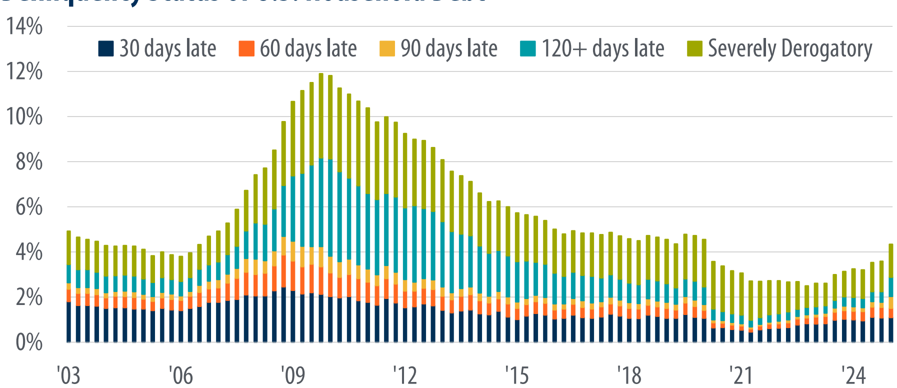
Composition of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q1 2025. **HE** stands for home equity.

Household debt balances grew by $167 billion in the first quarter of 2025, marking a 0.9% increase from the previous quarter, bringing the total to $18.20 trillion. Mortgage balances increased by $199 billion in Q1 2025, reaching $12.80 trillion, accounting for 70% of overall household debt. This has provided stability for households despite a higher interest rate environment, as 93.0% of these mortgage loans are fixed-rate, with an average rate of 4.2% as of Q4 2024. Additionally, non-housing debt balances decreased by $38 billion in Q1, led by a $29 billion drop in credit card balances.

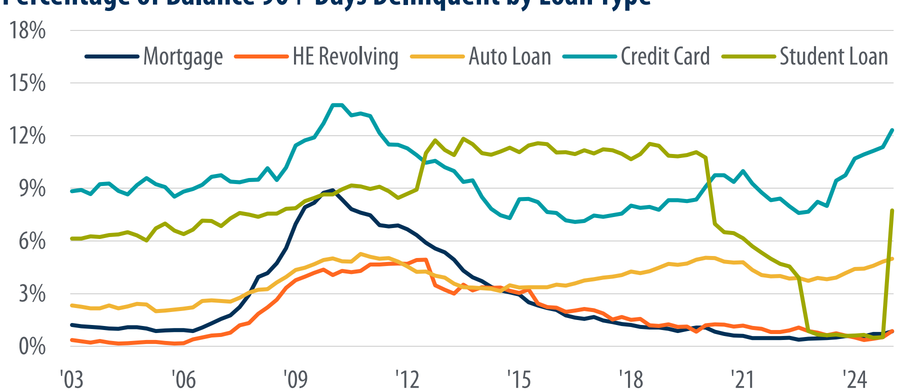
Delinquency Status of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q1 2025.

Aggregate delinquency rates increased in Q1 2025, with 4.3% of outstanding debt in some stage of delinquency, up from 3.6% in the prior quarter driven mainly by newly delinquent student loans which soared in Q1 to 8.2% from 1.0% the prior quarter. Delinquency rates now sit at their highest level since the first quarter of 2020. In Q1 2025, 8.8% of credit card balances and 8.0% of auto loan balances transitioned into delinquency, both improvements from the prior quarter, but still indicate financial strain in these areas. Newly delinquent mortgages rose to 3.7% from 3.6% last quarter, which is low by historical standards.

Percentage of Balance 90+ Days Delinquent by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q1 2025. **HE** stands for home equity.

In Q1 2025, the share of credit card balances 90+ days delinquent climbed to 12.3%—the highest since 2011. Student loan delinquencies, which had fallen from around 11% in 2012 to just 0.5% by 2024 due to the CARES Act pause and interest rates on loans being set to zero, are now reversing course. Although payments resumed in October 2023, an "onramp" period allowed borrowers to delay without penalty through September 2024. With that window now closed, student loan delinquencies surged to 7.7% in Q1'25—and are likely to keep rising in the quarters ahead.