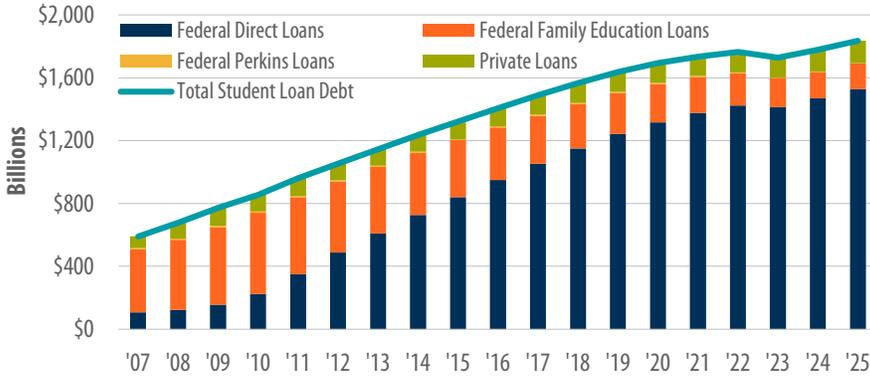


### Student Debt Remains a Heavy Burden

About a year ago, the Department of Education resumed collections on defaulted student loans, ending a pause that began in early 2020. Five years later, total outstanding student loan debt has climbed to a record high \$1.8 trillion, held by at least 45 million borrowers. This mounting burden reflects the skyrocketing cost of higher education—and it’s weighing heavily on millions of Americans who borrowed to pursue it. Recent data from the Department of Education reveals that at over 1,800 colleges and universities across the country, at least a quarter of students are not making payments on their loans. In this week’s “Three on Thursday,” we examine the state of student loan debt through 2025, and the financial stress it continues to impose on individuals. To paint a picture of where things stood at the end of last year, we’ve included the three charts below.

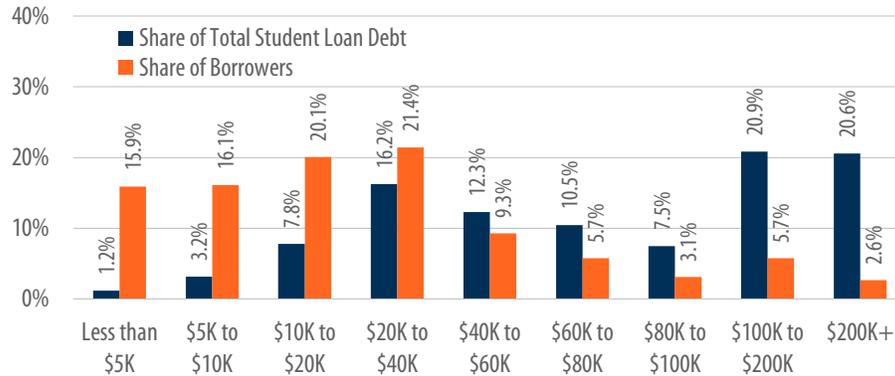
#### Student Loan Debt Outstanding



Source: National Student Loan Data System, First Trust Advisors. Fiscal year data 2007-2025.

As of the end of 2025, total student loan debt in the United States has reached \$1.8 trillion, marking a 211% increase from 2007. Of this debt, 92.2% are federal loans, which come in several forms. The majority of federal loans, 90.3%, are issued directly by the federal government. Another 9.5% are Federal Family Education Loans (FFEL), which, although backed by the federal government, are generally held by banks or other private financial institutions. The remainder (0.2%) are Perkins Loans, which cater to students with exceptional financial needs and are subsidized by the government. Together, these loans have grown at an average rate of 6.8% per year since 2007, far outpacing the 2.0% experienced by the overall economy (as measured by real GDP) in that time frame.

#### Federal Student Loan Portfolio by Borrower Debt Size



Source: Enterprise Data Warehouse, First Trust Advisors. Data as of Q4 2025.

With federal student loans comprising more than 90% of the total student loan debt, analyzing this segment offers a clear insight into the debt landscape for millions of Americans. Through the end of 2025, there were 45.3 million unique individuals holding federal student loan debt. Of these, 32.0% have balances of \$10,000 or less, indicating a substantial number manage relatively small amounts of debt. 41.5% have student loan balances ranging from \$10,000 to \$40,000. A smaller yet significant proportion, 18.1%, hold debt between \$40,000 and \$100,000. And finally, 8.4% of borrowers find themselves with more than \$100,000 in federal student loan debt.

#### New Seriously Delinquent Student Loan Balances



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2004 - Q4 2025.

In March 2020, Congress passed the CARES Act which, among other sweeping measures, paused payments on student loans and set interest rates to zero. For about the next four years, serious delinquency rates (defined as being 90+ days past due) fell to around 1.0%. Although payments were set to resume in October 2023, a temporary “on-ramp” allowed borrowers to delay repayment without penalties – effectively extending the pause. The grace period ended in October 2024 and the effects were immediate. By the following quarter, 8.2% of these loans had fallen into serious delinquency. And by the end of 2025, 16.3% of the student loan portfolio is seriously delinquent, the highest rate on record, and a stark increase from just 0.9% a year ago.

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.