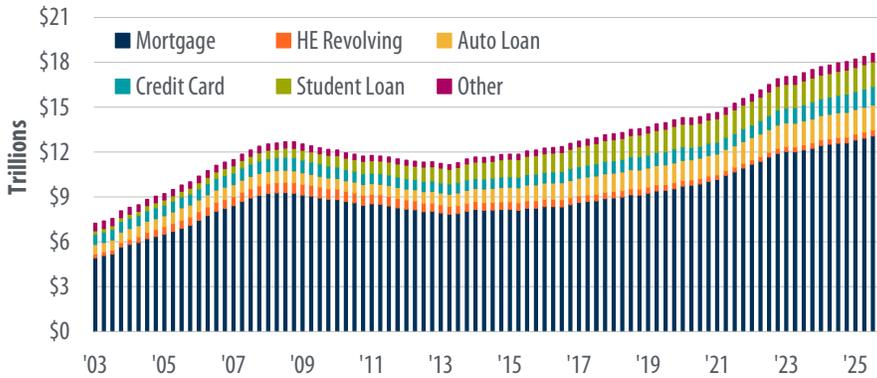


Q4 Check on U.S. Household Financial Health

Each quarter, the Federal Reserve Bank of New York publishes its Household Debt and Credit Report, offering a comprehensive look at consumer borrowing and repayment trends. Based on a nationally representative sample of Equifax credit reports, the data is analyzed to estimate total debt balances and delinquency rates across the country. Together, these findings provide valuable insight into how American households are managing their financial obligations. In this week's "Three on Thursday," we examine the current state of U.S. household indebtedness and financial health. Curious about the latest trends? See the three charts below for a clearer picture of where things stood in the fourth quarter.

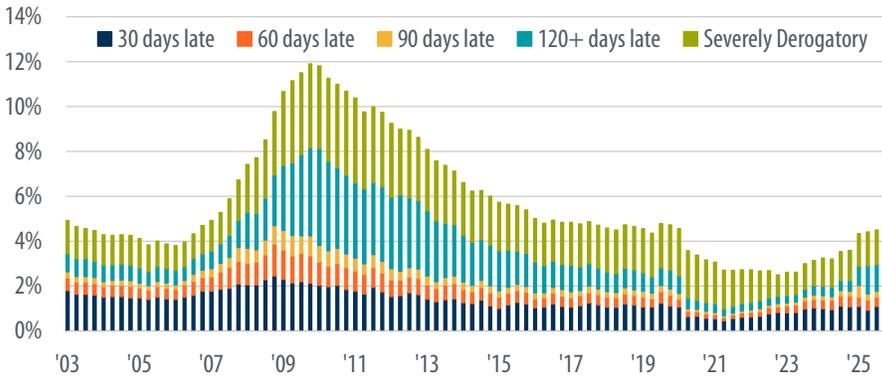
Composition of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q4 2025. HE stands for home equity.

Household debt balances grew by \$191 billion in Q4 and \$740 billion in all of 2025, marking a 1.0% increase from the previous quarter (4.1% over the year) and bringing the total to \$18.78 trillion. Mortgage balances increased by \$98 billion in Q4 2025, reaching \$13.17 trillion and accounting for 70% of overall household debt. This has provided stability for households despite a higher interest rate environment, as 92.7% of these mortgage loans are fixed-rate, with an average rate of 4.4% as of Q3 2025. Additionally, non-housing debt balances increased by \$93 billion in Q4, led by a \$44 billion increase in credit card balances.

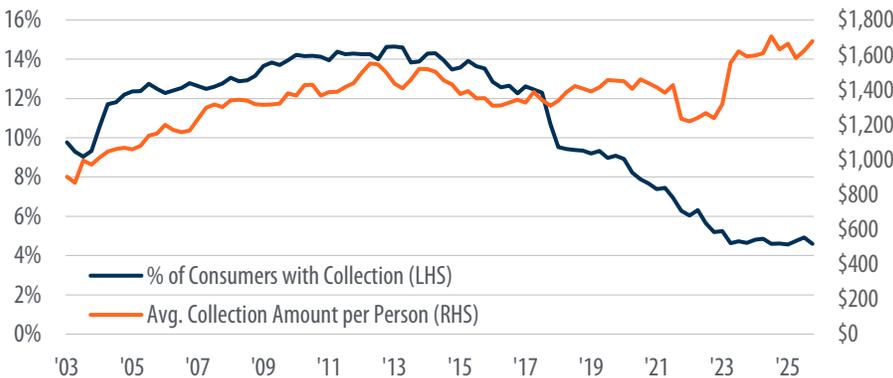
Delinquency Status of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q4 2025.

Aggregate delinquency rates moved higher in Q4 2025, with 4.8% of total outstanding debt in some stage of delinquency, up from 4.5% in Q3. The increase was led by a rise in newly delinquent accounts (30+ days past due), driven largely by another sharp increase in student loan delinquencies, which climbed to 16.4% from 14.4% in the prior quarter. Delinquency rates in other categories also increased modestly, with loans 120+ days past due rising to 1.3%, matching the highest level since 2016. Overall, aggregate delinquency rates are now at their highest levels since late 2019.

Third Party Collections



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data from Q1 2003 - Q4 2025.

The share of consumers with accounts in collections fell to 4.6% in Q4 2025, near the lowest of all available data going back to 2003. However, the balances held by those consumers has remained elevated: the average collection amount per affected person rose to \$1,678, the second highest level on record, trailing only \$1,708 in Q3 2024. In other words, while fewer consumers faced collections, those who did were carrying a heavier burden on average. It is also important to note that the majority of third-party collections are tied to medical and utility bills, which may reflect the steady rise in both categories' costs recently.

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.