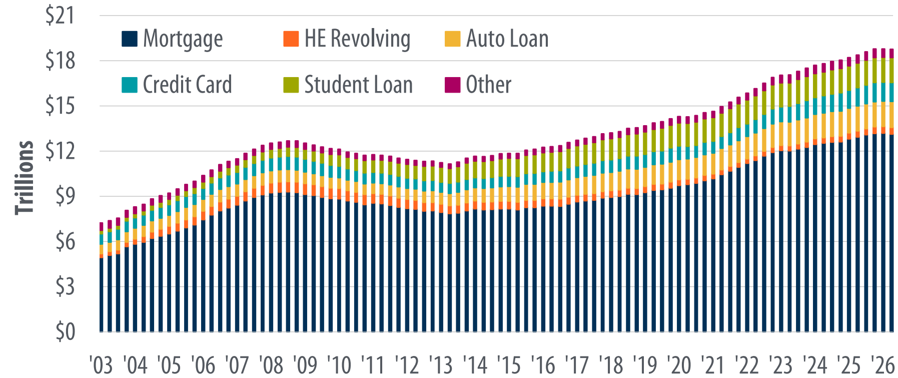
August 27, 2026

Q2 Household Debt Checkup

Each quarter, the Federal Reserve Bank of New York provides a comprehensive look at the financial health of American households through its Quarterly Report on Household Debt and Credit. Drawing from a nationally representative sample of Equifax credit reports, the report tracks consumer borrowing and repayment activity across major categories, including mortgages, auto loans, credit cards, and student loans. The data provide valuable insight into changes in household debt balances, borrowing patterns, and delinquency rates, helping paint a clearer picture of how Americans are managing their financial obligations and where signs of financial stress may be emerging. In this week's "Three on Thursday," we examine the state of U.S. household debt and financial health in the second quarter of 2026. The three charts below highlight some of the most important trends and put today's household finances into perspective.

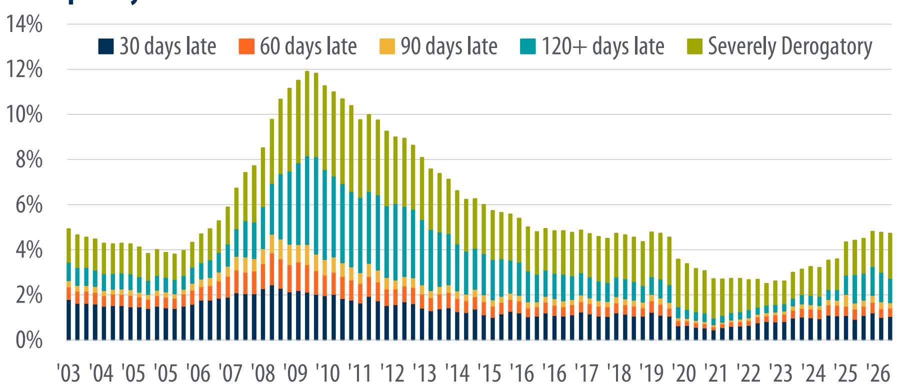
Composition of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q2 2026. **HE** stands for home equity.

Household debt balances declined by $13 billion in the second quarter of 2026, a 0.1% decline from the prior quarter, bringing total household debt to $18.8 trillion. Mortgage balances fell by $74 billion, although the decline largely reflected a temporary reporting gap related to a mortgage servicer transfer; adjusting for this, balances would have been roughly unchanged. Mortgages are still by far the largest part of household debt, totaling $13.1 trillion and accounting for 70% of the overall balance. Despite higher interest rates in recent years, existing mortgages have provided an important source of stability for household finances. According to FHFA, as of Q1 2026, 93.1% of mortgages are fixed-rate, with an average rate on those mortgages of just 4.4%, insulating many homeowners from the rise in borrowing costs. Meanwhile, non-housing debt increased by $48 billion during the second quarter, led by a $28 billion rise in auto loan balances.

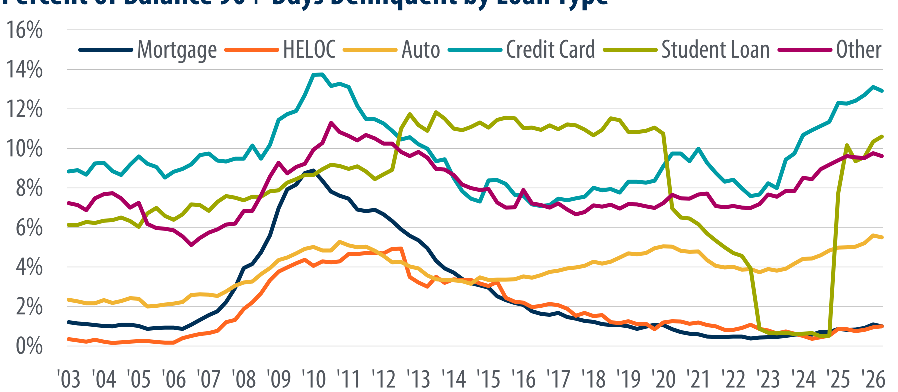
Delinquency Status of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q2 2026.

Aggregate delinquency rates improved slightly in the second quarter of 2026, with only 4.7% of outstanding household debt in some stage of delinquency, down from 4.8% in the prior quarter. Delinquencies have now edged lower for two consecutive quarters, although severely derogatory debt moved higher. The share of debt that was 30 or 60 days delinquent was unchanged at 1.0% and 0.4%, respectively, while the shares 90 and 120+ days delinquent actually declined to 0.2% and 1.1%. The deterioration was concentrated in the most troubled category, severely derogatory debt, which rose from 1.8% to 2.0% in Q2, its highest share since the third quarter of 2020. This is still very small, but something to continue to monitor.

Percent of Balance 90+ Days Delinquent by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q2 2026. **HELOC** stands for home equity line of credit.

In the second quarter of 2026, the share of household debt 90 or more days delinquent declined to 3.3% from 3.4% in the prior quarter. Serious delinquency rates improved across credit cards, mortgages, auto loans, and other debt, while HELOC and student-loan delinquencies edged higher. Student loans remain the clear outlier. Prior to COVID, roughly 11% of student-loan balances were seriously delinquent, before the rate plunged to just 0.5% by 2024 as pandemic-era policies paused federal student-loan payments and temporarily suspended the reporting of missed payments to credit bureaus. Although payments resumed in October 2023, a 12-month "on-ramp" period protected borrowers from having missed payments reported as delinquent through September 2024. Once those protections expired and delinquency reporting resumed, the rate climbed sharply. In Q2 2026, 10.6% of student-loan balances were 90 or more days delinquent, the highest share since the first quarter of 2020.