THREE ON THURSDAY

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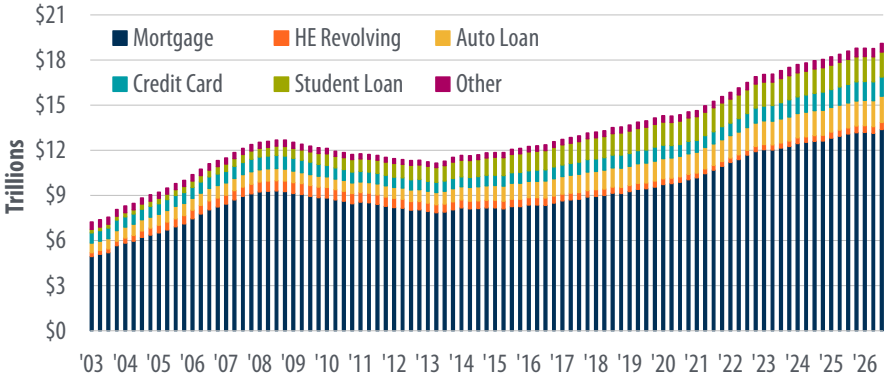
FIRST TRUST ECONOMICS

November 12, 2026

Q3 Household Debt and Credit

In this week's "Three on Thursday," we explore the current state of indebtedness and financial health of U.S. households in the third quarter of 2026. 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 third quarter.

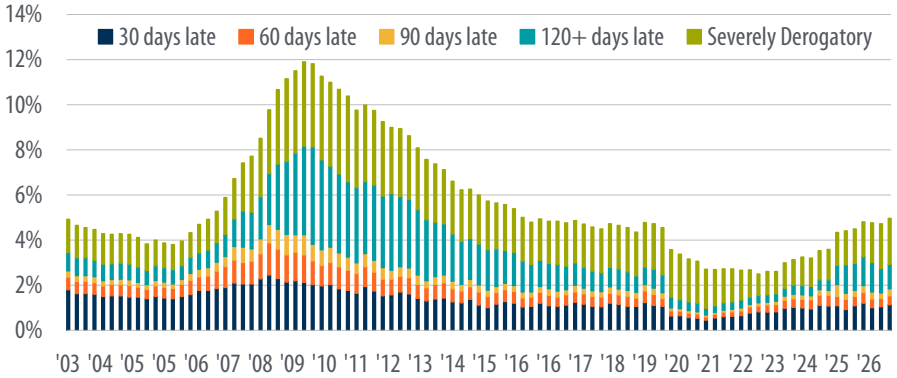
Composition of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q3 2026. **HE** stands for home equity.

Household debt balances grew by $334 billion in the third quarter of 2026, a 1.8% increase from the prior quarter and a 2.8% increase over the past year, bringing total household debt to $19.1 trillion. Mortgage balances rose by $257 billion, although about half that increase was due to balances being re-reported after a reporting gap in the previous quarter. Mortgages are still by far the largest part of household debt, totaling $13.4 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 the Federal Housing Finance Agency (FHFA), as of Q2 2026, 92.2% of mortgages are fixed-rate, with an average rate on those mortgages of just 4.5%, insulating many homeowners from the rise in borrowing costs. Meanwhile, non-housing debt increased by $55 billion during the third quarter, led by a $22 billion rise in credit card balances.

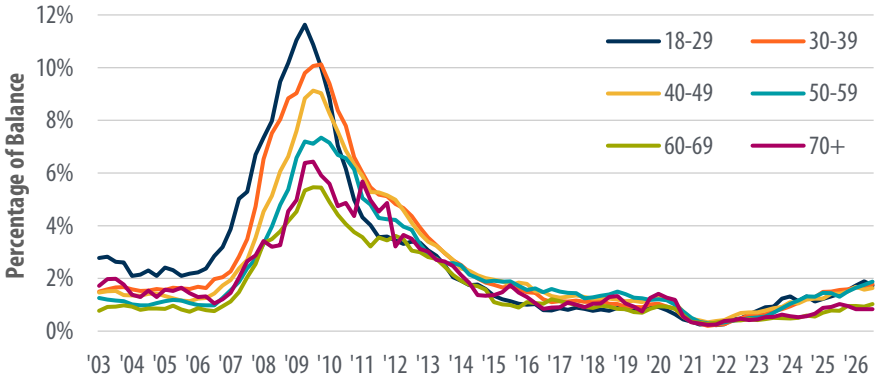
Delinquency Status of U.S. Household Debt



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q3 2026.

Aggregate delinquency rates deteriorated slightly in the third quarter of 2026, with 5.0% of outstanding household debt in some stage of delinquency, up from 4.7% in the prior quarter. Delinquencies have been steadily rising for the past few years and now sit at the highest level since 2016. Looking at the details, the share of debt 30 days late rose to 1.1%, while debt 60 days late held steady at 0.4%. More serious delinquencies were little changed, with the share of debt that was 90 days late ticking up to 0.3% and debt 120 days late holding steady at 1.1%. The share of severely derogatory debt was also unchanged at 2.0%, though it is the highest share since the third quarter of 2020. While this share is still very small, it is something to continue monitoring.

Transition into Serious Delinquency for Mortgages by Age



Source: New York Fed Consumer Credit Panel/Equifax, First Trust Advisors. Quarterly data Q1 2003 - Q3 2026. **Serious Delinquency** includes payments that are 90 or more days past due.

The share of mortgages transitioning into serious delinquency (90+ days past due) ticked up to 1.6% in Q3 2026 from 1.5% in the previous quarter. While still low by historical standards, these rates have been steadily climbing since 2021, revealing an interesting generational divide. Just 0.8% of mortgage balances held by Americans aged 70+ transitioned into serious delinquency in Q3, compared to 1.8% for those aged 30-39. During the pandemic, the M2 money supply surged by 42% while the economy was shut down, and households who already owned assets (generally older Americans) benefited from pumped-up asset values. Meanwhile, younger Americans were left to shoulder the 9.0% inflation that followed without the same boost to their wealth. That divide may now be showing up in mortgage delinquencies, with younger homeowners having more difficulty making payments than their older counterparts.

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.