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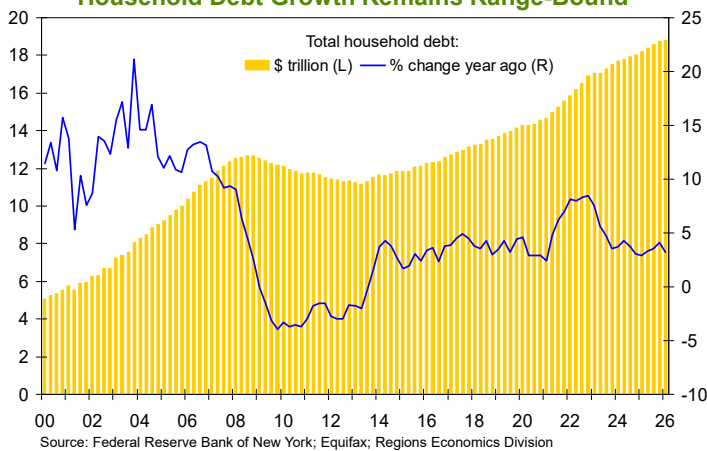
Q1 2026 Household Debt and Credit: Balances Push Higher; Debt Service Still Manageable

- Total household debt rose to \$18.794 trillion in Q1 2026, an increase of \$18 billion from Q4 2025
- Outstanding mortgage loan balances rose by \$21 billion with a modest decline in total non-mortgage debt
- As of Q1, 4.76 percent of outstanding household debt was in some stage of delinquency, down from 4.81 percent in Q4 2025

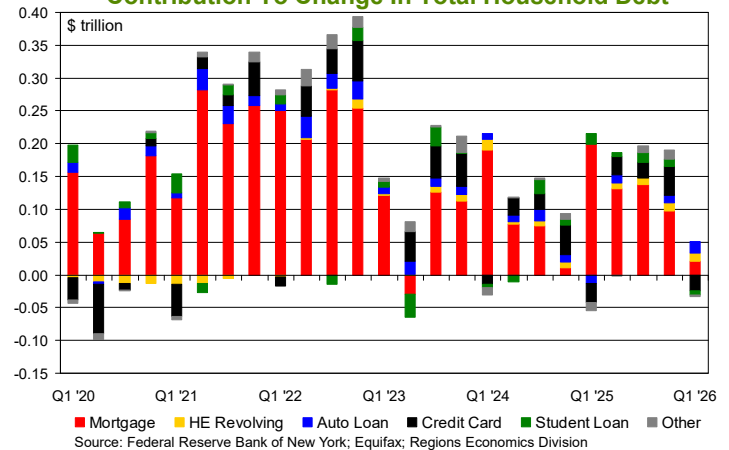
The Federal Reserve Bank of New York (New York Fed), in conjunction with Equifax, has released their latest quarterly report on trends in household debt, which shows total household debt rose to \$18.794 trillion in Q1 2026 from \$18.776 trillion in Q4 2025, a notably small increase of \$18 billion. An increase in mortgage loan balances, up \$21 billion, more than accounted for the entire increase in household debt in Q1, with a decline in total non-mortgage debt as increases in outstanding HELOC and auto loan balances were more than negated by declines in other components. On an over-the-year basis, total household debt was up by 3.25 percent in Q1, leaving growth well within the fairly narrow range that, with the exception of 2021-22, has prevailed since 2015. That said, it remains the case that there is considerable variance in growth rates across the individual categories, but what stands out is that Q1 2026 is the eighth consecutive quarter in which HELOC balances were the fastest growing component of total household debt. The overall delinquency rate on household debt fell modestly in Q1, from 4.81 percent in Q4 2025 to 4.76 percent in Q1 2026. Recall that the overall delinquency rate on household debt jumped sharply in Q1 2025, reflecting the resumption of delinquencies on student loan debt being reported to the credit bureaus. The resulting spikes in early-stage and late-stage student loan delinquencies were substantial, leading to a corresponding spike in the overall delinquency rate which has carried over into subsequent quarters. The overall delinquency rate was forty-one basis points higher in Q1 2026 than in Q1 2025 but nonetheless remains below pre-pandemic norms. Delinquency rates in the thirty-day, sixty-day, and ninety-day buckets were all lower in Q1 2026 than in Q1 2025, but balances delinquent for at least one hundred twenty days were substantially higher, more than accounting for the over-the-year increase in the total delinquency rate.



Household Debt Growth Remains Range-Bound



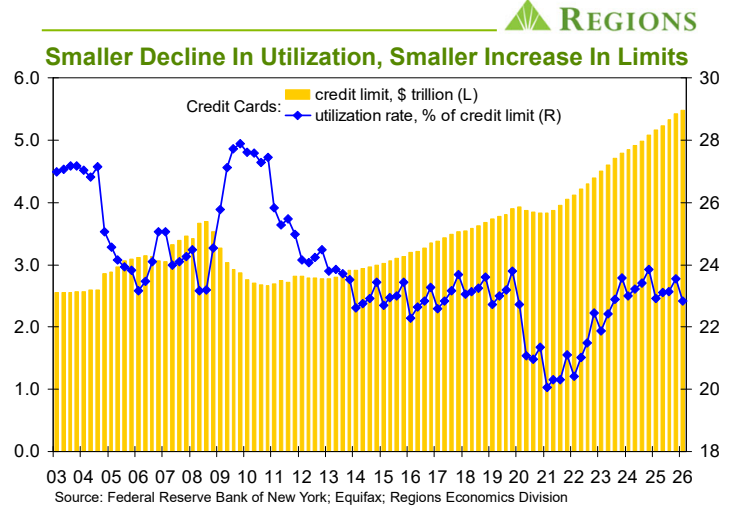
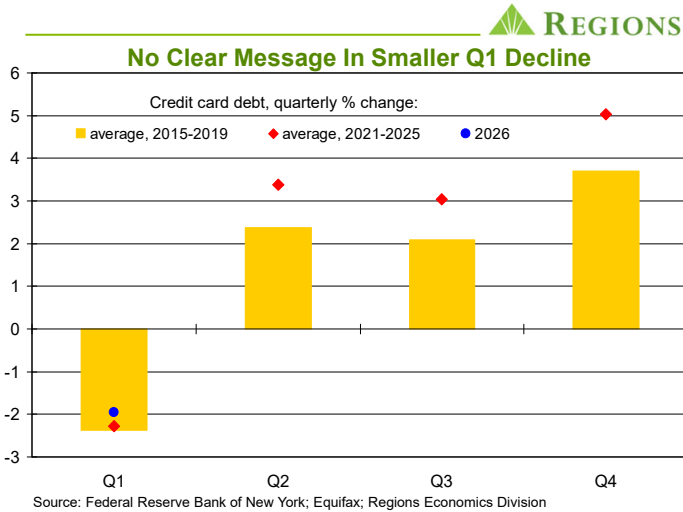
Contribution To Change In Total Household Debt



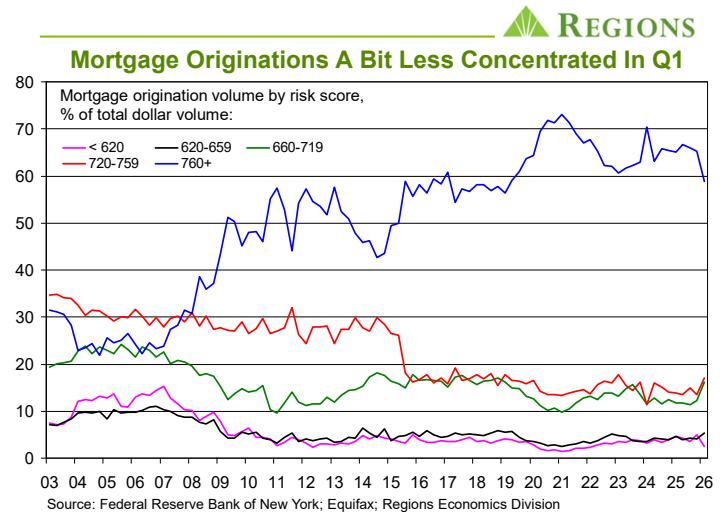
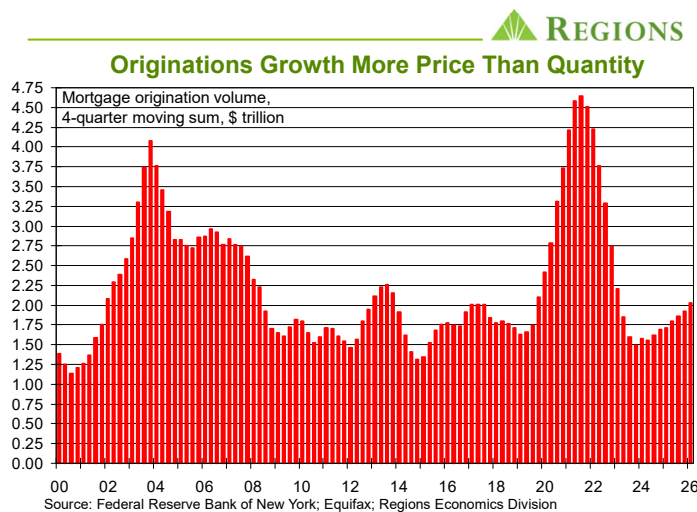
The second chart above shows the composition of the quarterly changes in total household debt outstanding. It helps to recall that the data are reported on a not seasonally adjusted basis, and also that there are distinct seasonal patterns in certain components, particularly credit card and mortgage debt. In the case of credit card debt, card balances tend to decline in the first quarter of any given year, reflecting paydowns of debt taken on during the holiday shopping season. Those declines in balances tend to give way to moderate increases in the middle quarters of the year which are followed by meaningfully larger increases during the fourth quarter. In that sense, that outstanding card balances declined by \$25 billion in the first quarter of 2026 should not come as a surprise. What is more meaningful is how that decline compares to the declines typically seen in the first quarter of any given year, measured in terms of percentage changes rather than in total dollars.

The \$25 billion decline in outstanding credit card balances in Q1 reflects a decline of 1.96 percent from Q4 2025, which is a bit smaller than the typical Q1 decline. For instance, over the prior five years, the average Q1 decline in card balances was 2.27 percent, and over the five years prior to the pandemic the average Q1 decline was 2.38 percent. As a side point, when assessing movements in data series which are not seasonally adjusted, we make it a point to compare patterns in the post-2020 data with the patterns seen over the five

years prior to the pandemic and find that in many instances there are distinct differences, reflecting the extent to which the pandemic triggered changes in patterns of economic activity that have persisted over time. As for the decline in card balances in Q1 2026, that it was a bit smaller than the typical Q1 decline at least in part reflects the fact that the 3.57 percent increase in card balances in Q4 2025 was smaller than the typical Q4 increase – right around five percent in the post-pandemic years. More fundamentally, however, that this year’s Q1 decline was a bit smaller than is typical could reflect the impact of higher prices, particularly goods prices. The start of the conflict in the Middle East pushed retail gasoline prices up by over twenty-three percent in March, but at the same time the PCE Deflator measure of prices of core (non-food, non-energy) consumer goods posted its largest quarterly increase since Q1 2022, in part reflecting further tariff pass-through. In other words, higher prices may have led consumers to be more reliant on credit cards in Q1 than is typically the case in the opening quarter of any given year or may have simply left consumers with less capacity for paring down credit card debt than is typically the case. While larger income tax refunds would have acted as a buffer for many households, the flow of refunds came a bit later this year than is typically the case, which could have left a bigger gap to be filled by credit card utilization.



As with the decline in card balances, the decline in credit card utilization rates in Q1 2026 was smaller than the typical Q1 decline, but that follows a smaller increase in utilization rates in Q4 2025 than typically seen in the fourth quarter of a given year. At the same time, however, the increase in aggregate credit card limits in Q1 2026 was smaller than typically seen in the first quarter of a given year and was the smallest Q1 increase since 2021. At least for bank issuers, this is consistent with the Federal Reserve’s quarterly survey of senior bank lending officers, which showed modest tightening in credit card lending standards in Q1. Again, though, while these variances stand out, it is simply too soon to draw any definitive conclusions as to what they are saying about either consumers or lenders, so we’ll wait for the Q2 data to help answer some of the questions raised here.

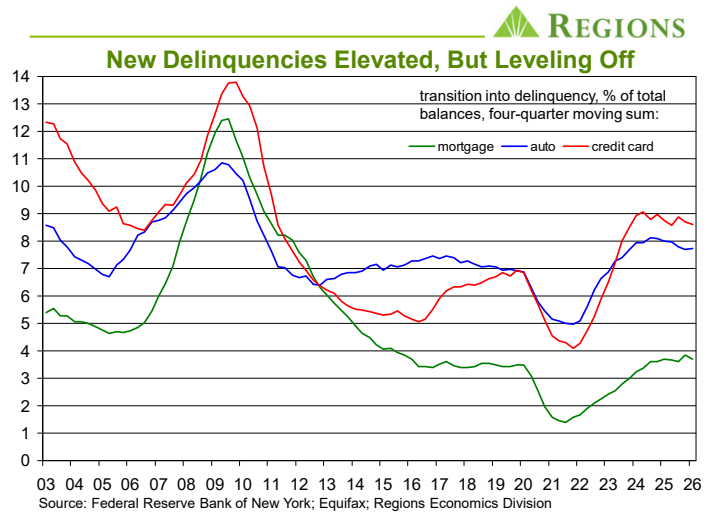
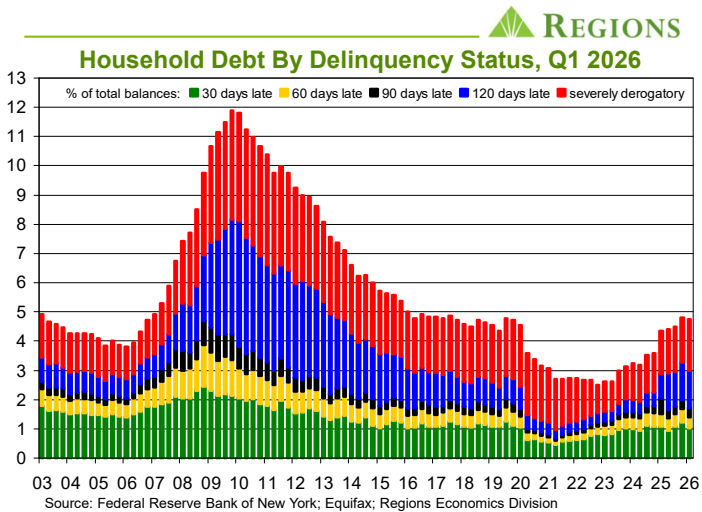


Mortgage origination volume was up by only one percent in Q1 2026, and while growth in origination volume looks stronger on a four-quarter moving sum basis, that has more to do with even weaker quarters dropping out of the count, in this case Q1 2025, which saw outright decline in origination volume. That sequential growth in origination volume has been weak reflects how flat sales of both new and existing homes have been over the past two-plus years while elevated mortgage interest rates continue to dampen refinancing

activity. We know from the Mortgage Bankers Association data that the average size purchase mortgage loan applications has continued to push higher, even if at a much slower rate, while the notably rapid growth in the average size of refi loan applications continued in Q1, which suggests larger loan sizes are the bigger driver of whatever growth we see in overall mortgage origination volumes.

Perhaps as a means of helping generate faster growth in loan counts, mortgage loan originations were a bit less concentrated amongst borrowers with the highest credit scores in Q1 2026. That isn't to say lenders are suddenly taking on inordinate risk to drive volume; while the share of originations accounted for by those with credit scores of 760 and higher dropped during Q1, the share accounted for by those with credit scores between 660 and 759 increased. While that still leaves originations heavily concentrated amongst those in the 760 and above bucket, accounting for 58.9 percent of the dollar volume of originations in Q1, this is the first quarter in which that share was below sixty percent since the second quarter of 2019. As has been the case for the past several years, originations amongst those with credit scores below 660 continue to bump along at low levels, one lasting impact of the housing market collapse in the mid-2000s. The flip side of this, of course, is that early-stage mortgage delinquencies have remained so low over this same span.

It was noted earlier that Q1 2026 was the eighth consecutive quarter in which HELOC balances were the fastest growing component of total household debt (year-on-year percentage change). This streak, however, should be put into context, as the growth in HELOC balances has come off a notably low base. The peak in outstanding HELOC balances occurred in Q1 2009, and what followed was a protracted decline that finally saw balances hit bottom in Q1 2022; while there were a few quarterly increases in the interim, each of those was wiped out by an even larger decline in the subsequent quarter. Moreover, while HELOC balances have grown steadily since Q2 2022, as of Q1 2026 HELOC balances were 37.5 percent below the Q1 2009 peak, compared to outstanding mortgage balances that are 44.4 percent higher than they were in Q1 2009 while the level of total household debt is fifty percent higher. Against that backdrop, it could be that the growth in HELOC balances over the past few years reflects homeowners drawing on HELOC lines as opposed to refinancing their mortgage, particularly those who were carrying mortgages with interest rates well below prevailing rates. Keep in mind that the vast majority of outstanding mortgage loans carry interest rates below six percent. While that share has steadily fallen since Q2 2022, when HELOC balances began growing steadily, it was still just over eighty percent as of Q4 2025 (the latest available data point), with low rates on existing mortgages acting as a powerful drag on both home sales and mortgage refinancing while at the same time making tapping into HELOCs a more viable alternative for many homeowners.

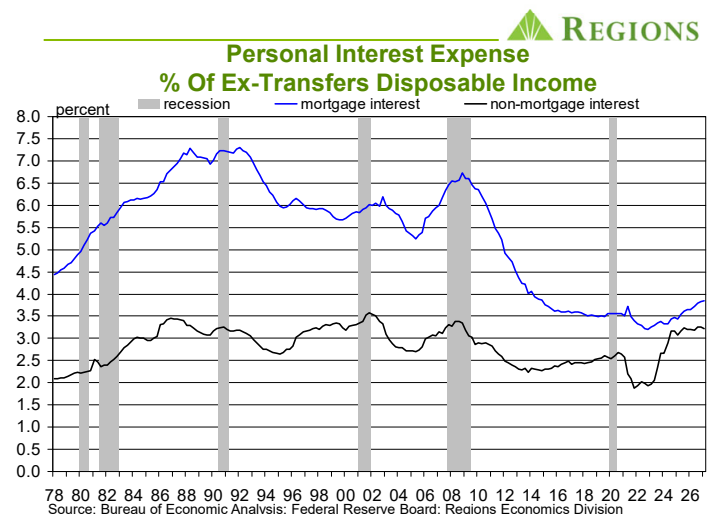
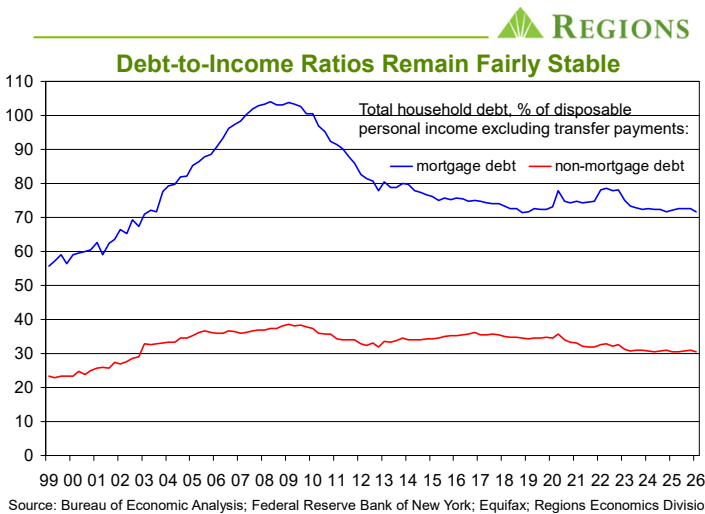


As of Q1 2026, 4.76 percent of total household debt was in some stage of delinquency, down from 4.81 percent as of Q4 2026 but up thirty-one basis points from Q1 2025. Early-stage delinquencies, i.e., loans delinquent less than ninety days, fell in Q1, with declines in both the thirty-day and sixty-day buckets, but the 120 day-and-above delinquency rate increased as did the "severely derogatory" rate, i.e., delinquencies of any duration combined with a reported repossession, charge-off to bad debt, or foreclosure. At 1.30 percent, the 120 day-and-above delinquency rate is at its highest since Q1 2016. At the same time, however, early stage delinquencies are basically back in line with where they were prior to the onset of the pandemic. Inflows into delinquency on mortgage loan and credit card balances dipped in Q1 while inflows on auto loan balances held steady, but while inflows on mortgage loan balances are in alignment with pre-pandemic rates, inflows of both auto and credit card loans remain higher. That early-stage delinquencies have turned lower suggests that flows into late-stage and serious delinquency will slow in the quarters ahead.

Recall that the resumption of delinquencies on student loan debt being reported to the credit bureaus led to a spike in the overall delinquency rate on household debt in Q1 2025, with the rate rising by seventy-six basis points in that quarter. The change in reporting triggered spikes in early-stage and late-stage delinquencies on student loan balances, and while inflows of student loan balances into delinquency have abated somewhat, transitions into serious delinquency continue to push higher. Moreover, during the first quarter of 2026 roughly 2.6 million student loan borrowers who were more than 120 days past due on their payments had their loans transferred to the U.S. Department of Education's *Default Resolution Group* after roughly one million similarly overdue student loan borrowers had

their loans transferred in Q4 2025. These borrowers can ultimately be subject to wage garnishment, withholding of federal income tax refunds, and other forms of “involuntary” repayment should they not take action to resolve the default status of their loan. While such remedies have yet to be widely implemented, that could change over the course of this year, and the New York Fed estimates that as many as seven million additional borrowers who had been in the now-defunct *SAVE* repayment plan could see their loans turned over to the *Default Resolution Group* as they hit the relevant default threshold.

Some are concerned about the burden of student loan debt and how it may impact borrowers’ behavior, such as causing them to put off home purchase, and whether the spike in student loan delinquencies presages similar deterioration in credit performance in other areas, such as credit card and auto loans. As to the former concern, it seems more a matter of changes in reporting conventions over the past several years than a more severe deterioration in student loan performance, as the share of student loan balances that are past due is now coming back in line with pre-pandemic norms. As to the latter concern, researchers at the New York Fed find that borrowers who have defaulted on student loans are more likely to be past due on other forms of debt but, given what is still a fairly low scope of overall defaults, a broader contagion into other areas of credit is unlikely. It is interesting that the researchers find that those borrowers now defaulting on student loans tend to be older than those who were defaulting prior to the pandemic, and that this is a “genuine” shift as opposed to simply reflecting an aging pool of borrowers with outstanding student loan debt, with a notably higher incidence of default amongst those over fifty years old. Additionally, such borrowers did not tend to be struggling with repayment prior to the pandemic. To the extent the pandemic took a harsher toll on older adults and that older workers have been more prone to exit the labor force, rising student loan defaults amongst older adults could be a byproduct of these dynamics. In short, though, there is at present little to suggest that normalizing student loan defaults pose a growing threat to the broader credit space.



We typically end these quarterly summaries with some comments on household financial conditions and what they say about the ability of households to meet their monthly debt service obligations which, screaming “new level of household debt” headlines notwithstanding, is more relevant than the aggregate amount of debt. Sure, each new quarter brings a new level of household debt, but each new quarter also brings a new level of personal income even if the latter is not announced with screaming headlines. Clearly, there are distributional issues with both debt and income that mean the aggregate figures would not necessarily be representative of any given household’s ability to service their debt, but, in the aggregate, monthly debt service burdens remain easily below pre-pandemic norms. As is our practice, we use the measure of after-tax personal income excluding transfer payments as the relevant measure of income from which to calculate debt-to-income ratios. The first chart above presents the aggregate debt-to-income ratio, but we segregate mortgage and non-mortgage debt, and in each case the debt-to-income ratio has been notably stable over the past few years. The second chart above breaks out household interest expense into the mortgage and non-mortgage components, showing them as shares of after-tax income excluding transfer payments. The sharp acceleration in growth of non-mortgage interest expense in late-2022 largely reflects what at the same time was a marked acceleration in the growth of credit card debt which, in terms of interest expense, was compounded by rising interest rates. That non-mortgage interest expense has been basically flat over the past several quarters reflects the sharp deceleration in growth of credit card debt coupled with some relief on credit card financing rates. Non-mortgage interest expense, particularly credit card interest, is more likely to be more burdensome for lower-income households, for whom the burden of higher energy costs is also likely to be heavier. That mortgage interest expense has continued to rise despite lackluster origination volumes reflects higher mortgage interest rates. That ex-transfers disposable income has grown at a faster rate than household debt over the past several years suggests that any increases we have seen in monthly debt service burdens (principal and interest payments as a share of after-tax income) have come more from rising interest expense than from rising principal payments.

While lower-income households are feeling a greater degree of financial stress, on the whole households remain well able to manage debt loads. Liquidity cushions in the form of larger income tax refunds in Q1 2026 will continue to fade, but aggregate labor earnings continue to grow at a rate faster than inflation. Should this change, however, household credit performance would likely deteriorate.