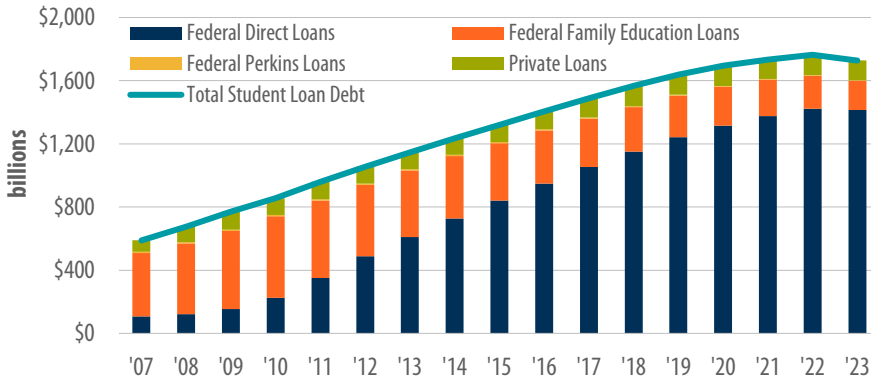


In this week's edition of "Three on Thursday," we delve into the current state of student loan debt in the United States—a subject that has risen to the forefront of national political discourse. With student loan debt constituting over 9% of total household debt, it stands as the second largest category of consumer debt, trailing only behind mortgages. As of the end of fiscal year 2023, total outstanding student loan debt reached a staggering \$1.73 trillion, with more than 40 million unique loan recipients. This figure underscores the significant financial burden that education financing places on countless Americans, due to soaring costs of tuition. To illustrate the scope and impact of this issue, we've included three comprehensive charts.

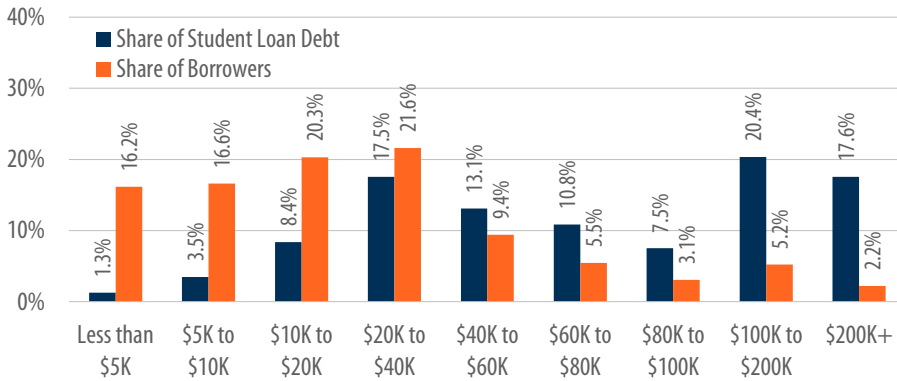
Student Loan Debt Outstanding



Source: National Student Loan Data System, Federal Reserve, First Trust Advisors. Fiscal year data 2007-2023.

As of the end of fiscal year 2023, the total student loan debt in the United States had soared to \$1.73 trillion, a staggering increase of 193% since 2007. This debt falls into two categories: private and federal, with federal loans accounting for 92.8% of the total. Among federal loans, 88.2% are Direct Loans issued directly by the government. Additionally, there are Federal Family Educational Loans (FFEL), which, although backed by the federal government, are generally held by banks or other private financial institutions. Lastly, Perkins Loans cater to students with exceptional financial needs and are subsidized by the federal government.

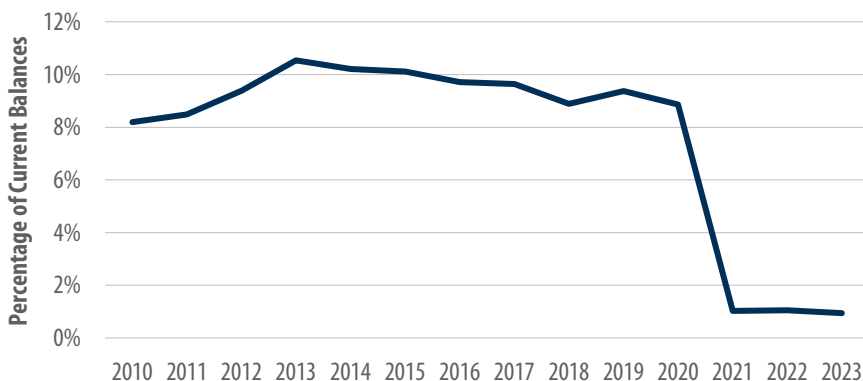
Federal Student Loan Portfolio by Borrower Debt Size



Source: Enterprise Data Warehouse, First Trust Advisors. Data as of Q4 2023.

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. Currently, there are 43.2 million unique individuals holding federal student loan debt. Of these, 32.8% have balances of \$10,000 or less, indicating a substantial number manage relatively small amounts of debt. 41.9% have student loan balances ranging from \$10,000 to \$40,000. A smaller yet significant portion, 18%, hold debt between \$40,000 and \$100,000. Meanwhile, 7.9% of borrowers find themselves with more than \$100,000 in federal student loan debt.

New Seriously Delinquent Student Loan Balances



Source: FRBNY Consumer Credit Panel, First Trust Advisors. Quarterly data Q1 2010- Q4 2023.

Seriously delinquent defined as >90 days.

From 2010 to early 2020, new serious delinquencies on student loans, marked by 90+ days overdue, ranged from 8-11% of total student loans outstanding. Following the CARES Act in March 2020, which paused payments and set interest rates to zero, delinquencies dropped to about 1% by 2021. With payments resuming in October 2023 after a three-year pause, delinquencies haven't spiked due to the "on-ramp" period allowing borrowers to delay payments up to another year without penalties. This period, which prevents loans from falling into default or being reported as delinquent, runs until September 2024. Interest continues to accrue, and missed payments will be due post-on-ramp, potentially leading to a significant rise in delinquencies by late 2024 and 2025.