INVESTMENT SERVICES

Weekly Relative Value

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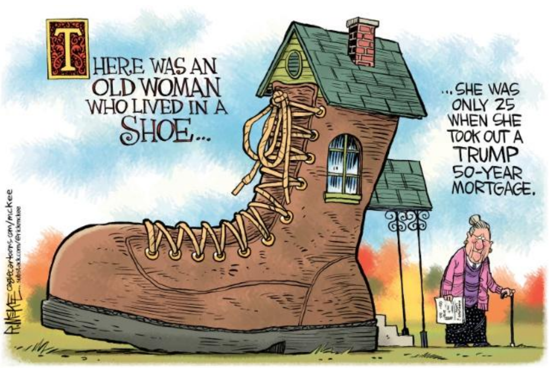
Market Strategist

WEEK OF NOVEMBER 17, 2025

The Rip-Off of the Century

"Working on it," and that it would be, "a complete game-changer."
– Bill Pulte, Director, Federal Housing Finance Agency

The Trump administration is moving forward with a 50-year fixed-rate mortgage to make homeownership more feasible. This may be a great idea for the mortgage industry, homebuilders (think Pulte), banks, credit unions and investors that invest in mortgage-backed securities, but it's a very costly mortgage for homebuyers. The small amount of payment reduction gets crushed by the huge amount of additional interest they must pay. It would be the rip-off of the century.



The 50-year mortgage sounds appealing on paper, and it's supposed to make homeownership more accessible when buyers are hitting 40 years old and getting priced out of everything. But if you do some basic math, it will show you a whole different story.

Per Freddie Mac last week, the average 30-year fixed mortgage rate was 6.22%. Mortgages with longer terms come with higher interest rates. So, a 50-year mortgage would have a higher mortgage rate than a 30-year mortgage. For this analysis, I assume lenders will charge you an extra 0.5% just for the extended term. Thus, the average 50-year mortgage would have a rate of 6.72%.

- 30-year mortgage: 6.22%
- 50-Year mortgage: 6.72%

THIS WEEK

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- THE END OF PENNIES
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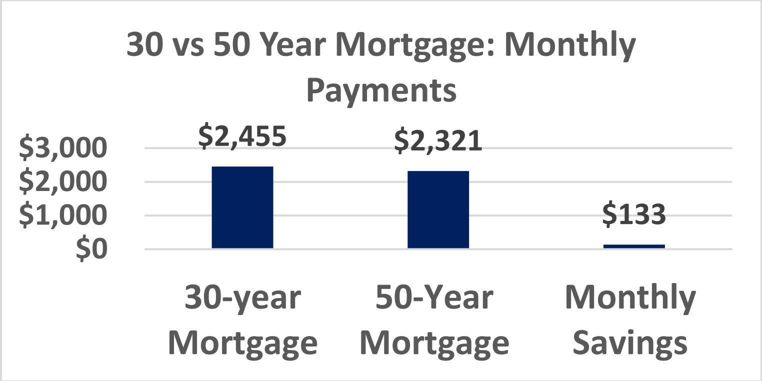
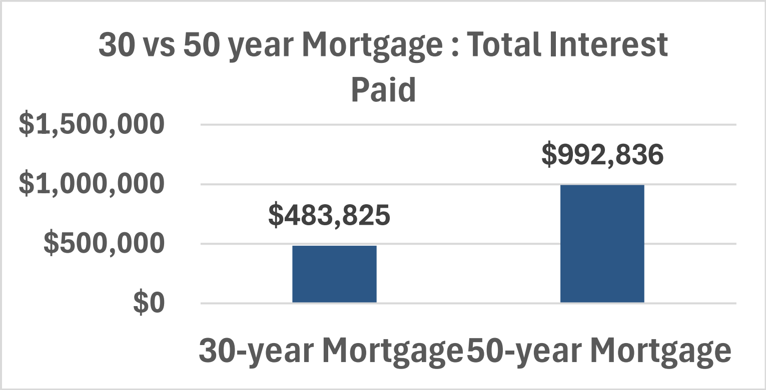
Using the Bloomberg mortgage payment calculator, I have run a comparative analysis of monthly payments of a $400,000 home:



Well, the payments will be more affordable, but you'll end up paying much more in interest along the way. How much more? With a 30-year fixed rate mortgage of $400,000 at 6.2%, you will pay $483,825 in interest. Yes, you will pay more in interest than the house is worth. That's with a 30-year mortgage. With a 50-year mortgage at 6.72%, you'll pay $992,836 in interest over the course of 50 years. But the monthly payment is $2,321 versus $2,455 for the 30-year mortgage.

In what universe does this sound like a good idea?

The Federal Housing Administration head said the proposal is a "complete game changer." Yeah, right. This is the dumbest idea I have ever heard. Imagine a 50-year mortgage, spending almost a million on interest for a 400,000 home.

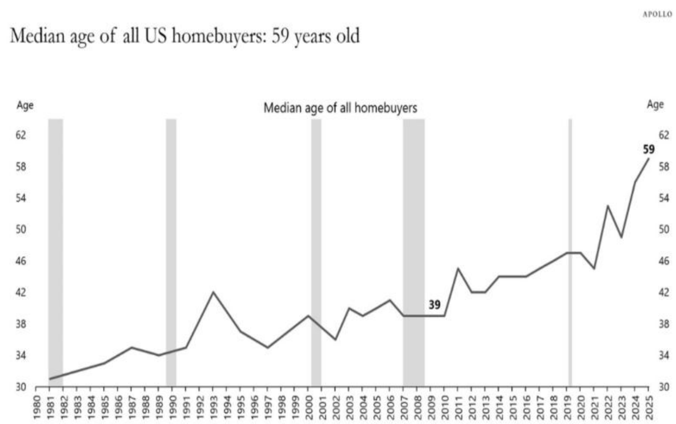


Making matters worse is the equity problem. The amortization schedule is ugly. In the early years of a 50-year mortgage, almost all your payment goes to interest. You're barely building equity while someone taking a standard 30-year loan is stacking wealth and opening refinancing opportunities way faster. A 50-year mortgage saves you about $133/month but takes 18 years more to get to 50% equity. It's like comparing someone who invests early versus someone who waits — the compounding works against you here instead of for you.

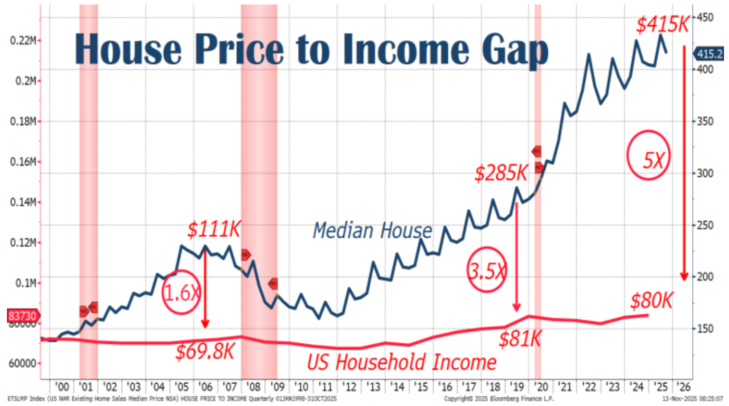
Then, think about the fact that the median age of the first-time home buyer is now over 40. They would own their home free and clear at age 90+, assuming they were still alive. If not, heirs would own the mortgage.

"Wouldn't help with down payment. 30-year duration is better tied to working lifecycle. Why not build more housing instead? — Mike Konczal, Senior Director of Policy and Research, Economic Security Project

Apollo Chief Economist Torsten Slok highlighted the increasing age of U.S. homebuyers, writing that **"in 2010, the median age of all U.S. homebuyers was 39 years old. Today, it is 59."**



The hard truth is that 50-year mortgages don't solve the affordability crisis; they just mask it. The real issue is that home prices have completely detached from wages. We're at a 5:1 price to income ratio when it's historically been around 3:1.



In many areas of the country, supply is constrained, zoning is restrictive, and institutions are buying single family homes to reprice entire neighborhoods. A longer mortgage term doesn't fix any of that. It just locks people into longer debt.

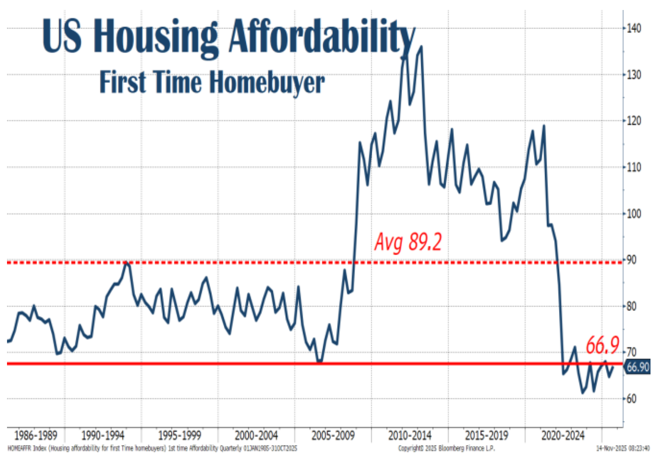
Moreover, house prices will likely rise to absorb the increased borrowing capacity, benefiting sellers while first-time buyers pay higher entry prices.

The only scenario where this could work is if you treat it tactically, grab the low monthly payment now, then refinance it into something shorter when rates drop and your income increases. But that's a lot of “ifs,” and with ever-increasing costs, would people do that? No.

The problem for the housing market is poor job prospects for the youth and prior government policies to boost home prices way above the levels that first-time buyers can afford. This is a job/income and elevated home price dilemma — it has nothing to do with the current level of interest rates.

What would help affordability is an unwinding of the 50%-plus price explosion between mid-2020 and mid-2022, which has already begun in some of the bigger markets.

“This is a recipe for making housing less affordable while increasing risks for taxpayers who stand behind most mortgages.”
— *“A 50-Year Mortgage Is a Bad Deal,” The Wall Street Journal, Editorial*



Bottom line: This gimmick does nothing to address the real obstacle to the housing market, which is the inability to come up with a required down payment, which can only come with a boom in wages or real estate deflation.

The average first-time buyer hitting age 40 shows homeownership is so far out of reach that 50 years of debt looks like progress. It creates permanent debtors building equity at a glacial pace while interest compounds for half a century.

This is financial engineering presented as housing policy. Simply continuing the financial manipulations to lower monthly mortgage payments regardless of impact on any other personal/societal financial measure is just deeply, deeply flawed.

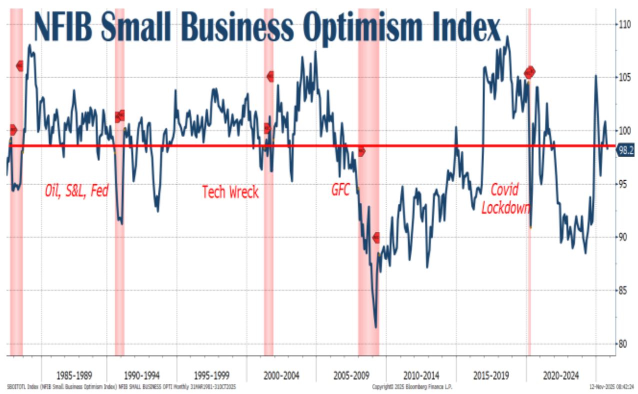
FLYING BLIND

Everybody’s wondering why the Bureau of Labor Statistics (BLS) is going to be so late in getting the next rounds of government data to us, not to mention skipping the October releases (though the latest is that we will see payrolls but not the unemployment rate). Maybe it’s because the BLS has lost almost 25% of its staff since February and that one-third of BLS leadership positions are vacant.

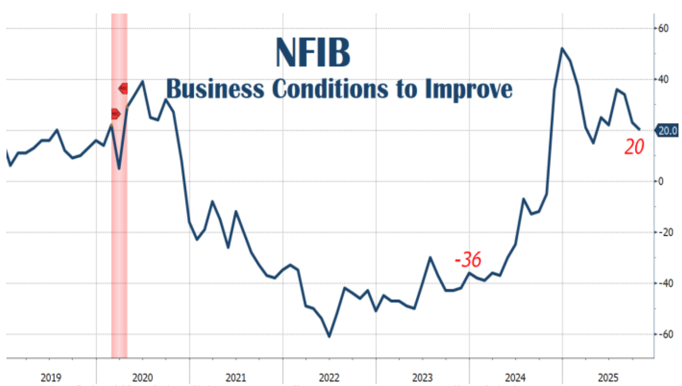
It's a Department of Government Efficiency's breakfast. This will only make the Fed's job that much tougher when it comes to decision time at the December 9-10 Federal Open Market Committee (FOMC) meeting.

Meanwhile, because of the lack of government data, for now, it is the "soft" survey and "private" information that is taking center stage.

Last week, the National Federation of Independent Business's Small Business Sentiment Index was released for October, and sentiment slumped back-to-back to 98.2 in October from 98.8 in September – a six-month low.

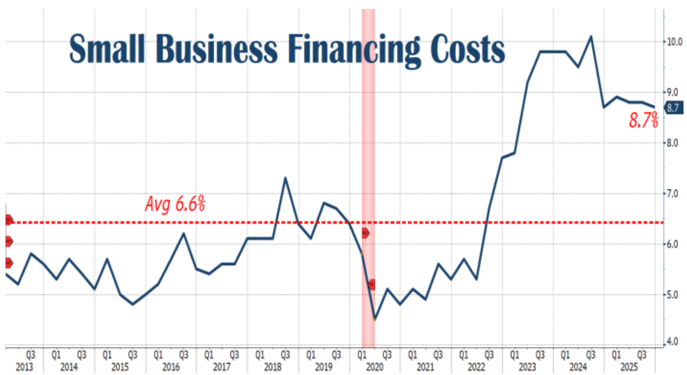


The share of businesses in the survey seeing "economic improvement" peeled back to +20% from +23% in September, to stand at a six-month low as well.



Despite the stellar earnings season for the large-cap S&P 500, profit trends for small companies receded to a five-month low; real sales dropped and are tied for the lowest level in six months.

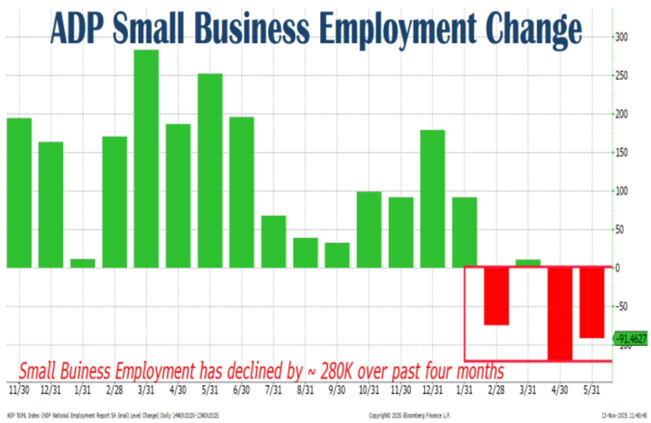
There was some encouraging news about the improvement in credit conditions and loan availability. That said, the average interest rate of 8.7%, in the context of 3.0% inflation, remains punishingly high.



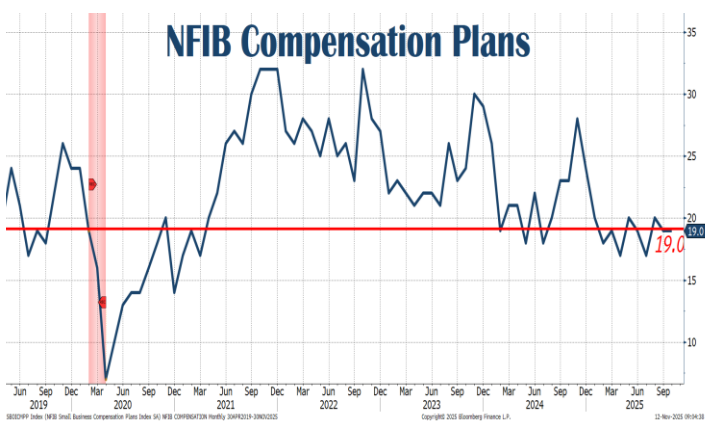
On the job front, market conditions remain soft, with the job opening index staying at +32, which is tied for the lowest reading since July 2020. Historically, when openings have declined so sharply, a recession has followed.

Hiring plans ticked lower to +15 from +16 in September. The share of the small businesses reducing their head count rose for the sixth time in as many months, and the overall net payroll number has been negative for the past five.

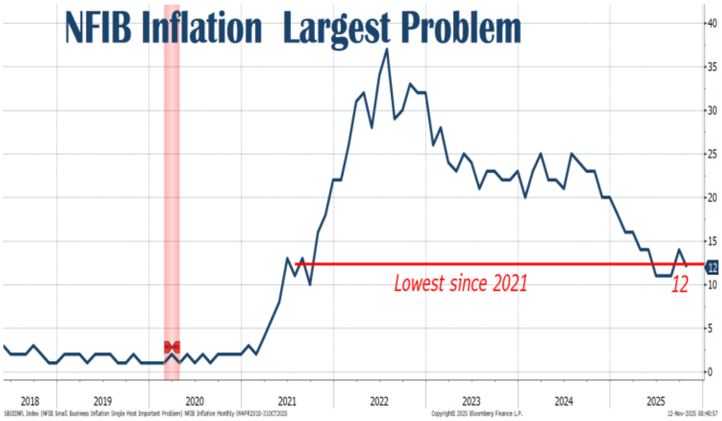
This is consistent with the ADP National Employment Report, which shows that small businesses shed -91,000 jobs in October, the third out of four months of decline. Over the last four months, ~280,000 jobs have been lost, the most since the 2020 crisis.



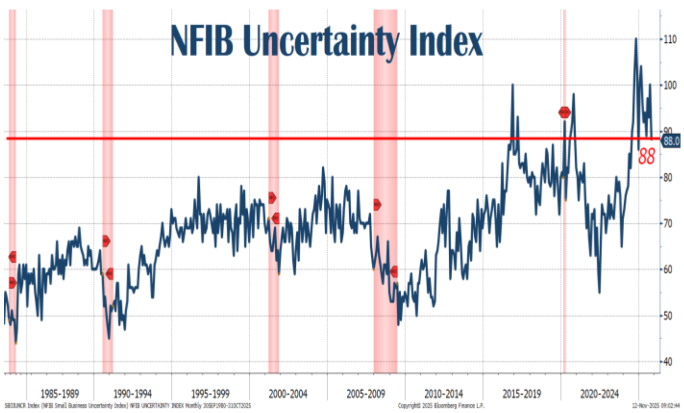
The net share of companies boosting wage compensation dropped hard, to +26% from +31%, and is tied for the lowest reading since February 2021. Wage plans, meanwhile, showed no change, at +19%, which compares to +23% a year ago.



Despite the hysteria over tariffs, small businesses do not perceive inflation to be their biggest headache. The share of firms citing "inflation" as the top concern dipped to 12% from 14%. It was 37% at the 2022 peak. The net share of small firms raising prices declined to +21% from +24% and is tied for a fourteen-month low. Not much here for the bond market not to like.



Meanwhile, small businesses are paralyzed regarding policy uncertainty and are less willing/able to invest or hire.



Bottom line: Small businesses are in a recession. Does the Fed really need any more information than that?

FILLING THE VOID

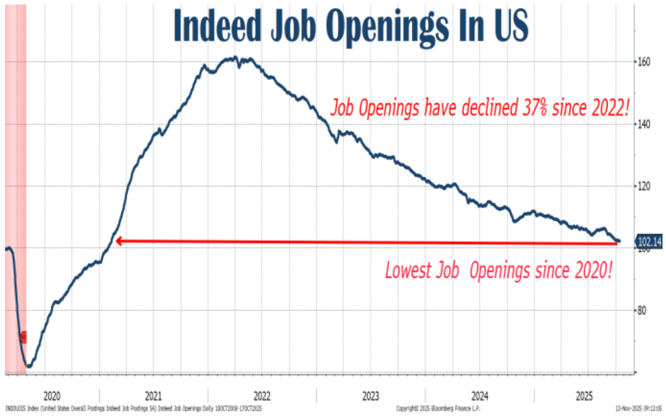
The longest government shutdown in U.S. history has delayed the release of key economic statistics, including jobs reports for September and October. Given the lack of government data, the ADP reports are being closely watched to fill the void in measuring the health of the labor market.

According to ADP, U.S. companies shed 11,250 jobs per week on average in the four weeks ending October 25. This brings the four-week total to -45,000, the second-largest drop since 2020.

Meanwhile, Goldman Sachs estimates payrolls fell -50,000 in October.

Challenger, Gray & Christmas showed employers announced the most job cuts for any October in more than two decades.

To further highlight the challenging job market, Indeed shows openings have declined by a whopping 37% since 2022, and openings are back to levels seen in 2020!



Now have a look at “Job Seekers Stare Down a Gloomy Holiday Hiring Season” in *The Wall Street Journal*.

“On job site Indeed, the number of job seekers looking for holiday work was 27% higher at the end of September than a year earlier. But the number of job postings from retailers on the site was down by 15% on the year last month.”

“One reason for the caution on holiday hiring: Americans’ willingness to spend during the holidays is looking iffy. While high-income households might be feeling flush, thanks to a surging stock market, many others are feeling pinched: Only 11% of consumers polled by the University of Michigan last month said they expected their incomes to outpace inflation over the next year.”

Finally, artificial intelligence (AI) is starting to reshape the labor market, and most are expecting a decade of significant disruption, with many workers losing jobs and needing to retrain. Younger workers are already having a hard time finding work in a no-hire economy, with AI acting as one of the many causes.

Bottom line: The labor market isn't stabilizing, downward momentum is accelerating with layoffs accelerating while hiring slows to a trickle. October job cut announcements are the highest in over two decades.

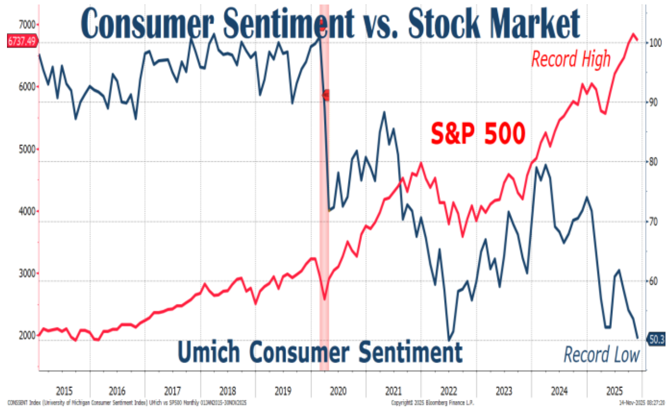
THE GREAT DIVIDE

One of the most glaring anomalies today is the historic divide between household assessments of the economy, labor income and personal income, which are all at or near record lows, and nearly daily highs in the equity market.

At the top, affluent households are reaping the windfall of wealth generated by soaring AI-linked stocks. Meanwhile, middle- and lower-income consumers remain squeezed by persistent inflation, a softening labor market and depleted savings.

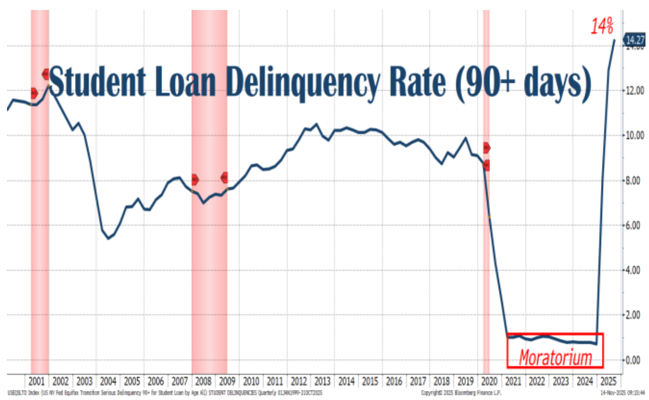
In the latest University of Michigan consumer sentiment report, consumer sentiment fell to the second-lowest level in the 73-year history and was far below the lows posted in all recessions dating back to the early 1950s.

High-end income earners are faring relatively better as the S&P 500 keeps hitting an all-time high almost every week. As shown below, the divergence between Wall Street and Main Street is STAGGERING.



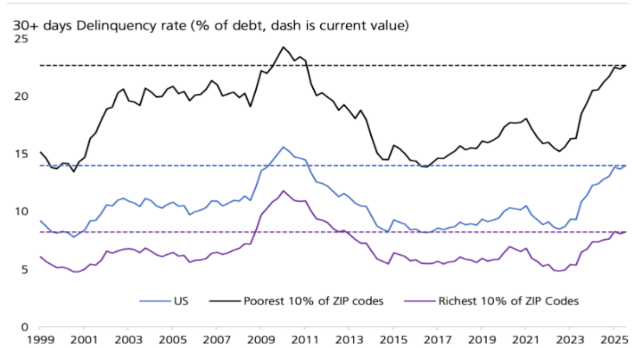
This tale of two consumer worlds is illustrated in Federal Reserve credit card delinquency data, which shows financial stress. Late-payment rates on credit cards have been stuck near 9.0% for the first time since early 2011.

And look at the defaults piling up for student loans. How can they ever repay this debt when the unemployment rate for 20–24-year-olds has jumped to over a four-year high of 9.2% from 7.9% twelve months ago?



Lower-income households and even the U.S. average are now topping Great Financial Crisis levels. Yet among the wealthiest households, those same signs of strain have yet to materialize.

Figure 23: Some delinquency rates nearing GFC levels



Source: FRB of St Louis https://www.stlouisfed.org/on-the-economy/2025/may/broad-continuing-rise-delinquent-us-credit-card-debt-revisited

Meanwhile, a study from Bank of America found that about 25% of households are living paycheck to paycheck, spending over 95% of income on necessities like housing, groceries and utilities.

The share of lower-income households living paycheck to paycheck jumped from 27% in 2023 to 29%.

High-income wages jumped 4%, safely outpacing inflation, while low-income wages increased only 1%. For millennials, the gap is even bigger: Wages inched up just 1% for low-income millennials compared with 6% for high-income.

Then again, who needs the labor market to spin off income growth when the stock market is going to look after everyone? Well, not everyone, but certainly for the top 1% of income earners who own 40% of the stock market — and the top 20% holding 80% of all U.S. equity market wealth.

The K-shaped economy was on full display today in “Wealthy Travelers Are Splurging on Luxury Hotels Like Never Before” (*The Wall Street Journal*).

To wit:

> *“The wealthy traveler seems to be making choices based on, ‘I want this when I want it, and I’m willing to pay for it’.”*
> *– Jan Freitag, National Director for Hospitality Market Analytics, CoStar*

Here are more stress points in the economy:

- Household debt just hit a record high of $18.59 trillion.
- Subprime auto loan delinquencies climbed to 6.65% in October, the highest since Fitch tracking began in the early 1990s, surpassing levels during the Great Financial Crisis.
- New data from ATTOM shows more homeowners falling behind on their mortgages. In October alone, there were 36,766 foreclosure filings. That's up 19% from a year ago.
- Another 3,872 homes were fully repossessed in October — the eight straight month of year-over-year increases and a 32 % jump year over year.

In the same vein, I also recommend a read of “Low-Income Shoppers Cut Spending and Businesses Worry” (*The New York Times*). The weakening of the low end of the income strata has started to bleed into the middle class. This could help explain Mamdani’s victory in New York City.

The great divide was also highlighted in *The Wall Street Journal* article: “Feeling Great About the Economy? You Must Own Stocks.” This is a must read.

Bottom line: Consumers are living in entirely different economic environments depending on their income and wealth tier. The 25% living paycheck to paycheck have no cushion when the labor market deteriorates further. The top 10 % are living the Life of Riley. The problem occurs when any shock to the top 10%'s stock holdings cascades through an economy with no buffer at the bottom.

MAKE AMERICA AFFORDABLE AGAIN

Making the rounds last week was the news that the White House has embarked on an “affordability” kick after the Democrats scored big in the recent off-year elections. Apparently, President Trump is now readying for a substantial cut in tariffs. The cuts are mostly aimed at foodstuffs — then again, why would he ever make a move to tariff coffee, avocados, bananas or spices, which aren’t even made in the U.S.? It goes to show what little thought was given to this whole tariff strategy.

The only reason why banana prices at the local supermarket have risen by +7% over the past year and coffee by +19% is because of this nutty strategy that is supposed to generate an industrial renaissance. Truth be told, it has only squeezed the low-end consumer further.

Meanwhile, the recession in the U.S. manufacturing sector has only continued unabated. There is a reason why President Trump's approval rating on the economy has sunk to the lowest level since he got re-elected a year ago.

Bottom line: The Trade War and tariffs are doing more damage than good. Now Trump is removing tariffs on bananas and coffee to lower the prices U.S. consumers pay for those items. This constitutes an admission that tariffs increase consumer prices, contrary to Trump's claims. Given the rising cost of living, why not just remove tariffs on all products?

WHAT IF THE AI BUBBLE BURSTS?

Stocks account for 21% of America's household wealth — and assets related to AI are responsible for nearly half the increase in this wealth over the past year. Spending by well-off Americans, driven by their surging stock portfolios, is the single most significant driver of growth. The wealth effect has been a tailwind to growth responsible for nearly one-fourth of the economy's overall growth.

With so much riding on AI, I recommend the following article in *The Wall Street Journal*: "The AI Boom Is Looking More and More Fragile."

But the best read of the month, and probably the year, goes to *The Wall Street Journal's* James Mackintosh, who seems to understand what's going on and is not scared to write about it. Have a look at "Big Tech's Soaring Profits Have an Ugly Underside: OpenAI's Losses."

The full article should be required reading, but here are some key snippets:

*"Investors take a lot of comfort from the solidity of Big Tech earnings …. **But those earnings have an ugly underbelly: ever-bigger losses at the generative AI startups that spend big on chips and data centers supplied by the profitable public companies.**"*

*"**Meanwhile, the amounts of money being lost are extraordinary**… **OpenAI's loss in the quarter equates to 65% of the rise in underlying earnings of Microsoft, Nvidia, Alphabet, Amazon and Meta together**."*

***OpenAI committed to spend $250 billion more on Microsoft's cloud and has signed a $300 billion deal with Oracle, $22 billion with CoreWeave and $38 billion with Amazon, which is a big investor in rival Anthropic**."*

*"But, to put it mildly, **OpenAI doesn't have the income to cover its costs**. It expects revenue of $13 billion this year to more than double to $30 billion next year, then to double again in 2027…**Costs are expected to rise even faster, and losses are predicted to roughly triple to more than $40 billion by 2027**."*

***"In the frenzy, investors have forgotten the old saying: Revenue is vanity, profits are sanity, cash is reality. If investors stop being so excited about AI, if OpenAI struggles to generate sales, or if fundraising becomes difficult for other reasons such as a recession, investors might switch back from the vanity of revenue to focus on the insane losses…At that point, the reality that the flow of cash from OpenAI and its rivals is bolstering big tech earnings will become painfully clear.**"*

Bottom line: For those who don't see comparisons to the last tech bubble in the late 1990s, you will see them here.

The final word goes to Jonathan Pringle, analyst at UBS:

"If there is an equity bubble, and it bursts, for the real economy, look out below."

Indeed!

THE END OF PENNIES

The longest shutdown in U.S. history has ended at 43 days, and the U.S. has officially produced its final penny, which, shockingly, costs almost four cents per coin to make. This ends a 232-year run of penny production beginning in 1793.

MARKET OUTLOOK AND PORTFOLIO STRATEGY

*"**You cannot have a viable country or future when half your country and all its young people are locked out of the economy and locked out of ever owning a home or much of anything beyond next month's streaming subscription**… Does anyone in Washington care about this? Anyone at all? Republicans had better wake up, because right now their nightmare is only beginning if they don't start making massive changes."*
— Sean Davis, Chief Executive Officer, The Federalist

The FOMC hawks have expressed concerns that inflation, a classic lagging indicator, is still too far above target even as concerns grow about the health of the labor market and consumer.

Notably, Boston Fed President Susan Collins, usually a "neutral" voice on the FOMC, said it is appropriate to keep the policy rate on hold for some time, with a relatively high bar for easing in the near term. She warned that further monetary support risks stalling progress on inflation, which she expects to remain elevated into early 2026 due in part to tariffs. She emphasized that rate cuts should wait until inflation is durably on track to 2% and said she is hesitant to ease further without notable labor market deterioration. While unemployment is expected to climb modestly, she has not seen an increase in downside employment risks since summer. Talk about hubris. Shades of 2008.

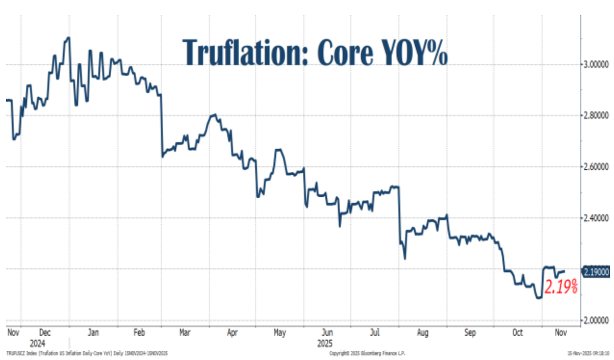
Last week, the Treasury market weakened with the 10-year Treasury benchmark yield rising five basis points to 4.15%. The selloff was attributed to the realization that the odds of another Fed rate cut in December may not be as high as expected based on hawkish comments from a few Fed officials. The futures market now shows the odds of a rate cut in December lowered to a flip of the coin, down from a 63% chance the day before.

But we may be at a turning point.

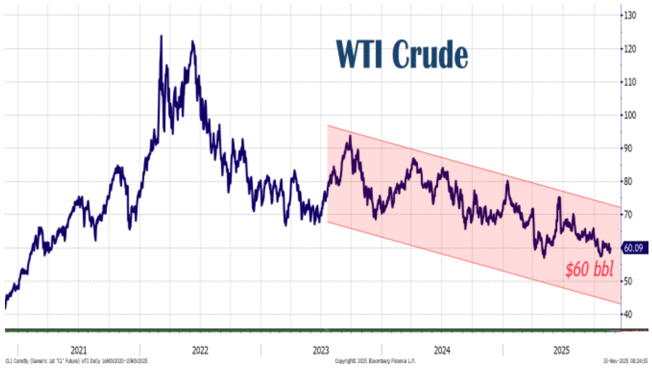
The release of the FOMC's meeting minutes on Wednesday may clarify whether there are as many "hidden hawks" as markets fear or whether the doves will have the votes next month.

Meanwhile, outside of the AI-economy, wide swaths of weakness persist. Small businesses are in a recession. Housing activity is at a standstill. Consumer sentiment is at near-record lows. Job cuts have exceeded one million through October and delinquencies are soaring.

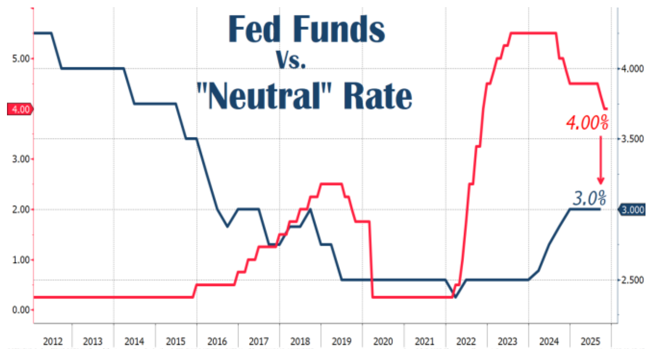
While we wait for the BLS inflation data, it's interesting to highlight that per Truflation, core inflation is now at 2.19% year over year. In January, this metric was running at 3%.



We also know that rents are deflating, and home prices are declining in many areas of the country. Also in the disinflation column, WTI oil prices have fallen to $60 per barrel as the International Energy Agency (IEA) raised its estimate for a record global oil glut next year. The IEA is now predicting that supply will top demand by just over four million barrels a day while demand is projected to be ~800,000 barrels per day. Despite the positive backdrop, a few Fed officials continue to chat about inflation risks.



I ask again. Is there really any longer a case for deliberately keeping monetary policy restrictive?



Bottom line: The recent weakness in Treasuries provides an attractive entry point to invest excess cash reserves. As always, the most prudent approach is to build a risk-appropriate ladder strategy. Strategically, the short to intermediate part of the yield curve is the most attractive.

WHY SUBSCRIBE TO THE WRV?

There is a lot of noise in the financial world and social media about the markets and the economy. I do what I always do, block out the noise, rhetoric and bullish biases (that point to the rewards without discussing the risks) that dominate Wall Street research and, most of all, try to keep investors out of trouble. This constant analysis goes through the noise, debunks misleading headlines and makes deep dives into the financial markets and economic reality. Call me a "permabear" if you will, but I see myself more as the car mechanic who fixes your brake lights and makes sure your side-view mirrors are okay. Risks should never be ignored, and I focus on identifying them. It's what makes the *Weekly Relative Value (WRV)* unique in the marketplace. By subscribing, you will always be up to date with the most relevant economic and market trends, and most importantly, you will be aware of the key risks. To receive future issues of *WRV* in your inbox, subscribe here.

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For more information about credit union investment strategy, portfolio allocation and security selection, please contact the author at **tom.slefinger@alloyacorp.org** or (630) 276-2753.

As Alloya's Market Strategist, **Tom Slefinger** leverages nearly 40 years of investment strategy expertise to deliver insightful commentary on the economy and market events to optimize balance sheet performance at the credit union level. With thousands of subscribers, Tom's daily and weekly publications are widely read amongst credit union executives.

Prior to becoming the corporate's Market Strategist, Tom served as the Senior Vice President of Institutional Fixed Income Sales at Alloya Investment Services, a division of Alloya Solutions, LLC. In this role, Tom developed and managed operations associated with institutional fixed income sales in addition to developing investment portfolio strategies, identifying appropriate sectors and securities, and optimizing portfolio performance at the credit union level.

Tom holds a B.S. in business administration from the University of Maine. In addition, he holds a Series 7 and 63 through ISI.