

# HOUSING WEALTH STRATEGIES FOR RETIREMENT

Financial Planner Discussion Framework for the Strategic Use of Reverse Mortgages

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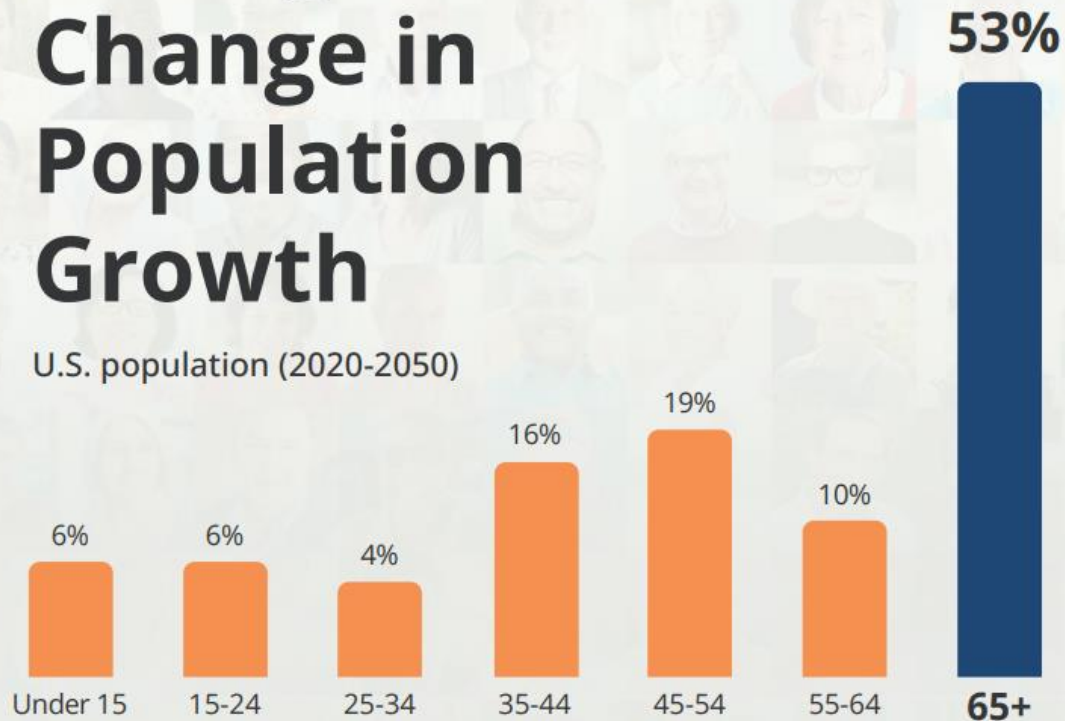


## PEAK 65

- The U.S. is facing the greatest retirement surge in history
- The population of older Americans is growing rapidly and living longer

# The Age Wave: Change in Population Growth

U.S. population (2020-2050)



Source: U.S. Census Bureau, 2020

America is quickly approaching a moment in time where there will be **more people reaching the traditional retirement age of 65**, more than ever before.

# RIDING THE AGE WAVE

- Massive numbers transition to life after work
- Accumulation to distribution
- From a savings crisis to an income crisis
- \$80 trillion – wealth transfer



# Our Healthspans Do Not Match Our Lifespans

**78** Average life expectancy

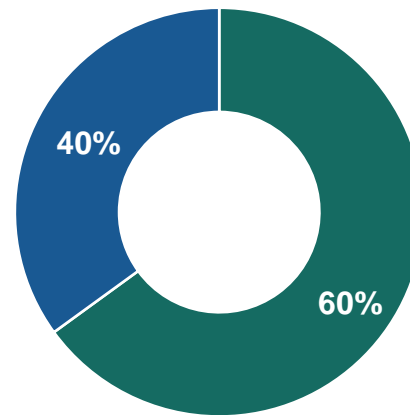
**66** Average healthy life expectancy  
(i.e. in good health, free of disability)

**12** Years in poor health

Source: World Health Organization, Global Health Observatory data repository,  
Life expectancy and healthy life expectancy U.S.data for 2019

## WHAT'S A HOME TO THOSE IN RETIREMENT?

- Source of security
- Connection to family and friends
- Likely one of the largest assets in retirement
- Consumption good

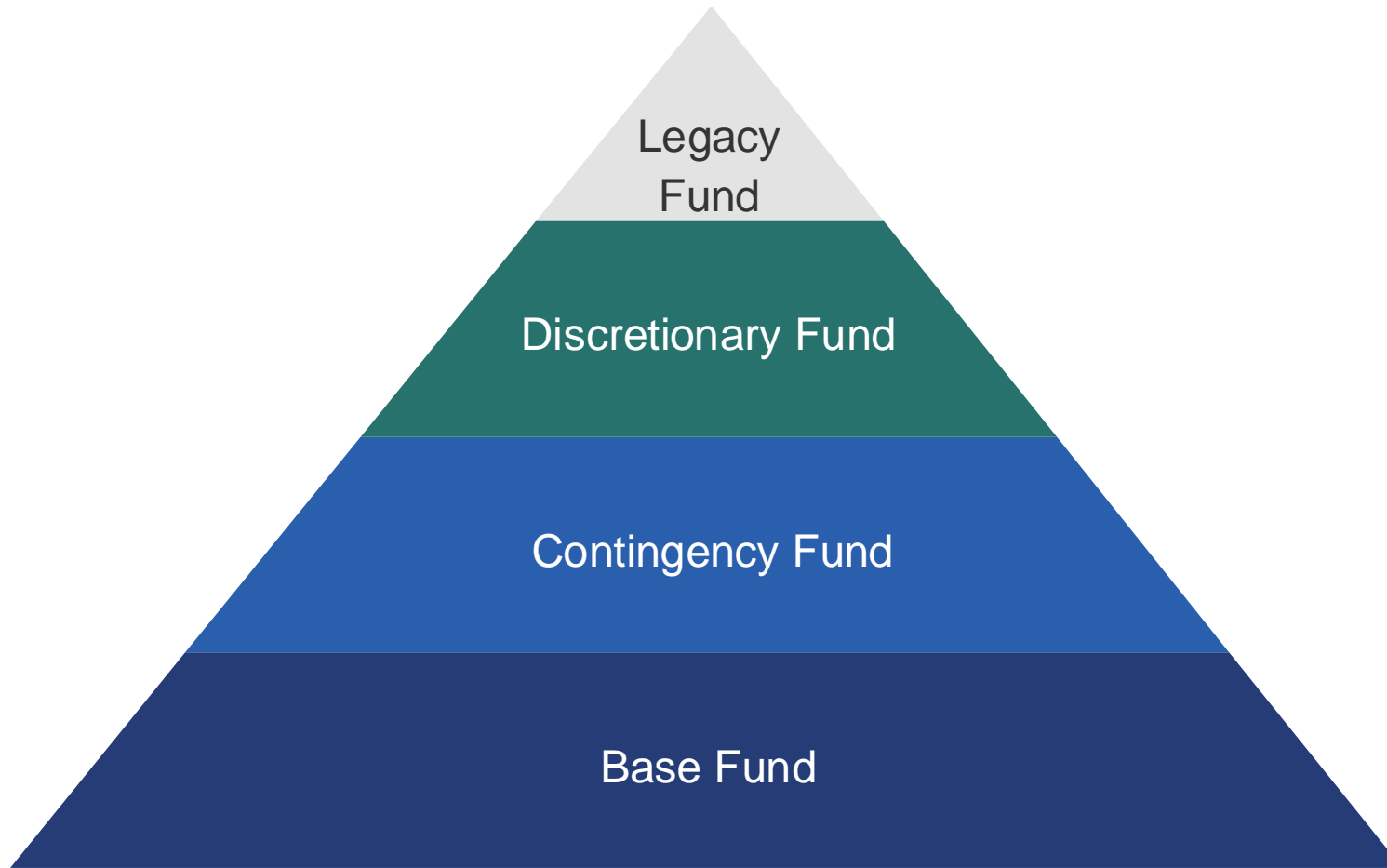


- Equity in Home \$218,800
- Non-Equity Assets \$117,100

Source:  
<https://www.census.gov/data/tables/2022/demo/wealth/wealth-asset-ownership.html>

# RESERVE ASSET

## Modern Retirement Theory



Last Priority

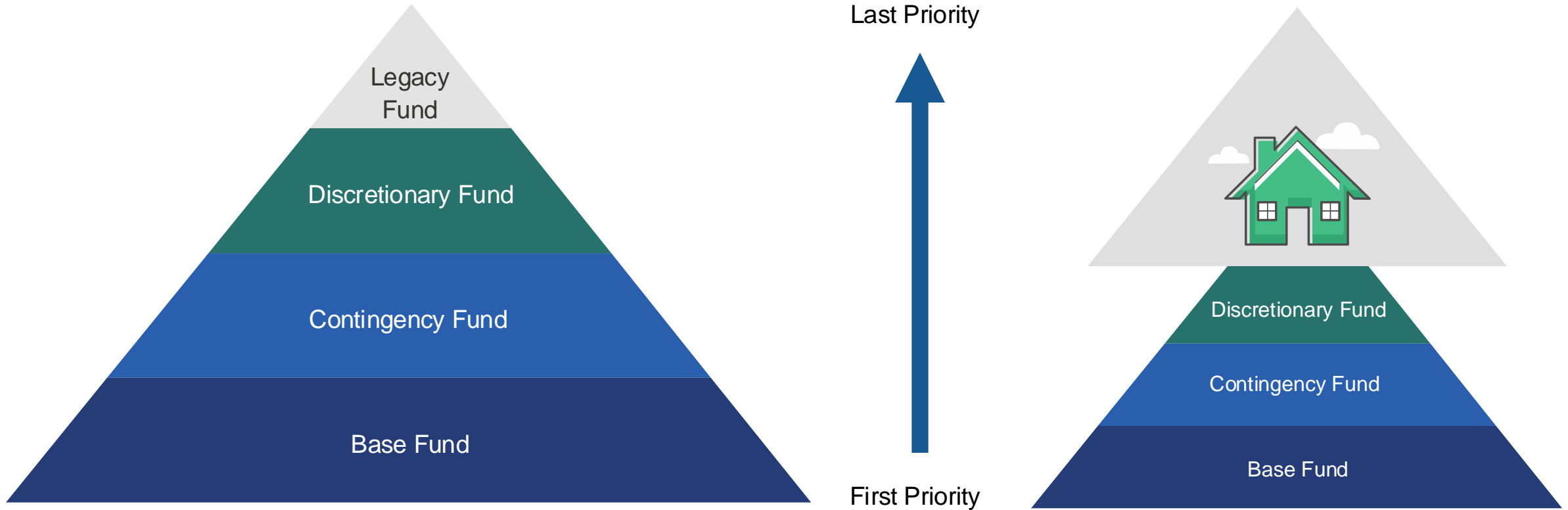


First Priority

Source: Branning and Grubbs: [www.modernretirementtheory.com](http://www.modernretirementtheory.com)

# RESERVE ASSET

## Modern Retirement Theory



Source: Branning and Grubbs: [www.modernretirementtheory.com](http://www.modernretirementtheory.com)

**“The reality is many financial advisers, many professionals, still don't think about the home as a strategic vehicle to enhance retirement or your financial situation, that needs to shift”**

## **Jamie Hopkins**

Esq., LLM, CFP<sup>®</sup>, ChFC<sup>®</sup>, CLU<sup>®</sup>, RICP<sup>®</sup>



# THIS IS WHERE FINANCIAL PLANNING COUNTS

## Research Demonstrates: Housing Wealth Contributes to Retirement Security

- Responsibly leverage this often-overlooked illiquid asset
- Utilizing home equity strategies to increase net estate value
- Real estate is both an investment and consumption good
  - The only retirement asset your clients can utilize while living in it
- Different conversations vs traditional assets due to emotional attachment

# WHAT ARE EFFECTIVE REVERSE MORTGAGE HOUSING WEALTH STRATEGIES?

1. Alleviate stress on portfolio by eliminating principle/interest payments\*
2. Hedge against inflation, property deflation and unexpected expenses
3. Utilization as a buffer asset for additional cash flow
4. Provide buffer asset to mitigate Loss of Income or LTC event
5. Reduce portfolio draws without sacrificing spending
6. Purchase a retirement home without monthly mortgage payments\* / portfolio invasion

\*Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.



# ALLEVIATE STRESS ON PORTFOLIO BY ELIMINATING PRINCIPLE/INTEREST PAYMENTS\*

- Replace existing mortgage\*\*

\*Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees. \*\*A HECM Loan is a debt.



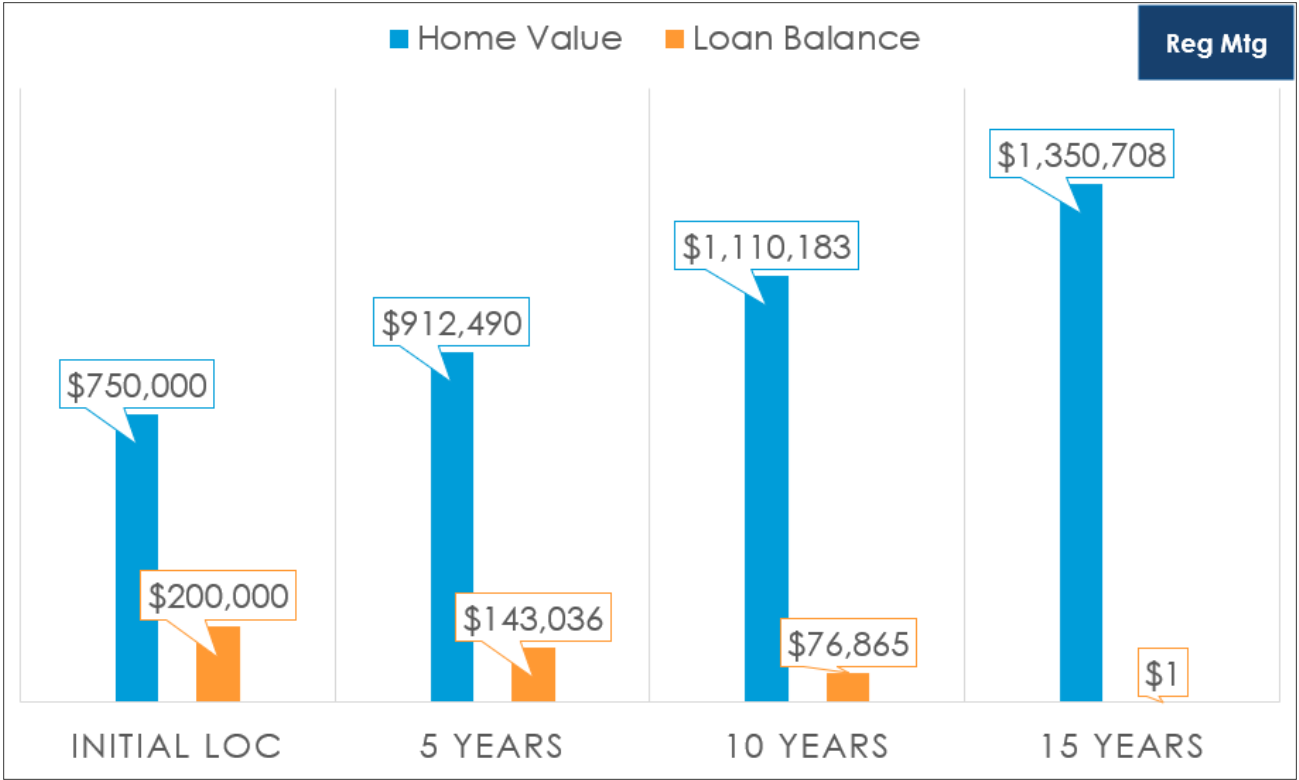
## CLIENT CASE – TOM AND SARAH

- 62 -year-old couple
- \$750,000 Home
- Previously took advantage of low interest rates for a \$200K conventional home loan at 3.0% on a 15 yr fixed
- Monthly payment of \$1,381.16 per month
- Home is appreciating 4% annually
- Both still actively working, No immediate need today, plan to delay taking social security for maximum step up.

# TRADITIONAL MORTGAGE

Home Value	\$750,000
Product Selection Label	Reg Mortgage
Interest Rate	3.00%
Original Loan Amount	\$200,000
Home Value Appreciation	4.00%
Client Age (youngest)	62
Monthly Payment	\$1,381.16

Total of all mortgage payments for the life of the loan  
**\$248,608.80**



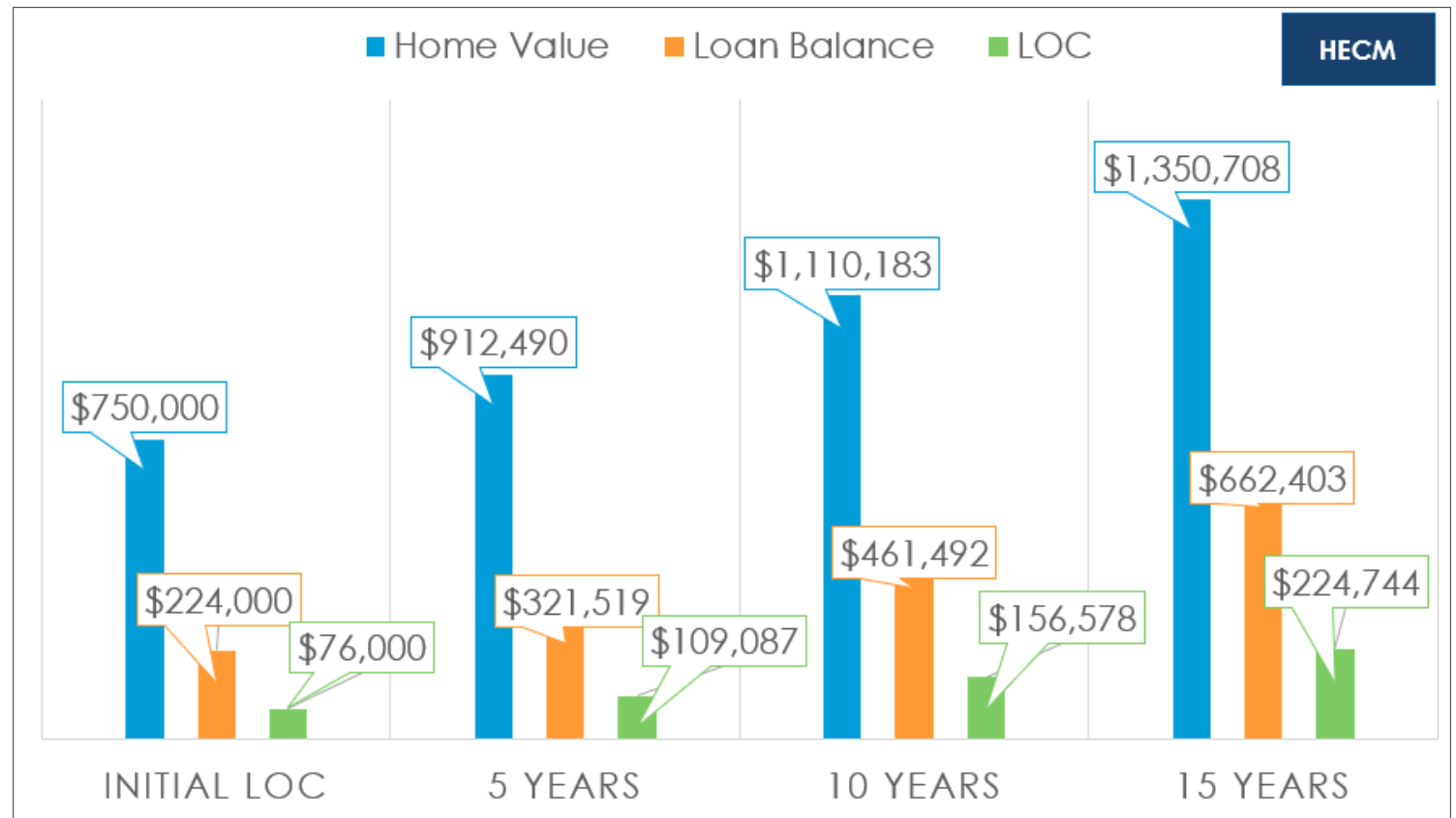
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# REPLACE EXISTING MORTGAGE

Cash Flow Savings of **\$248,608.80**  
 Line of Credit at age 77 of **\$224,744**

Home Value	\$750,000
Product Selection Label	Reverse
Credit Line Growth Rate	7.75%
Total Principal Limit	\$300,000
Closing Costs	\$24,000
Debt payoff & Initial Withdrawal	\$200,000
Home Value Appreciation	4%
Client Age (youngest)	62



For illustration purposes only.



## **HEDGE AGAINST INFLATION, PROPERTY DEFLATION AND UNEXPECTED EXPENSES**

- Reverse Mortgage Line of Credit

# SECURE A GROWING REVERSE MORTGAGE LINE OF CREDIT

- Compounds monthly guaranteed
- Grows even if housing value does not
- Cannot be cancelled, frozen, or reduced as long as loan terms are satisfied



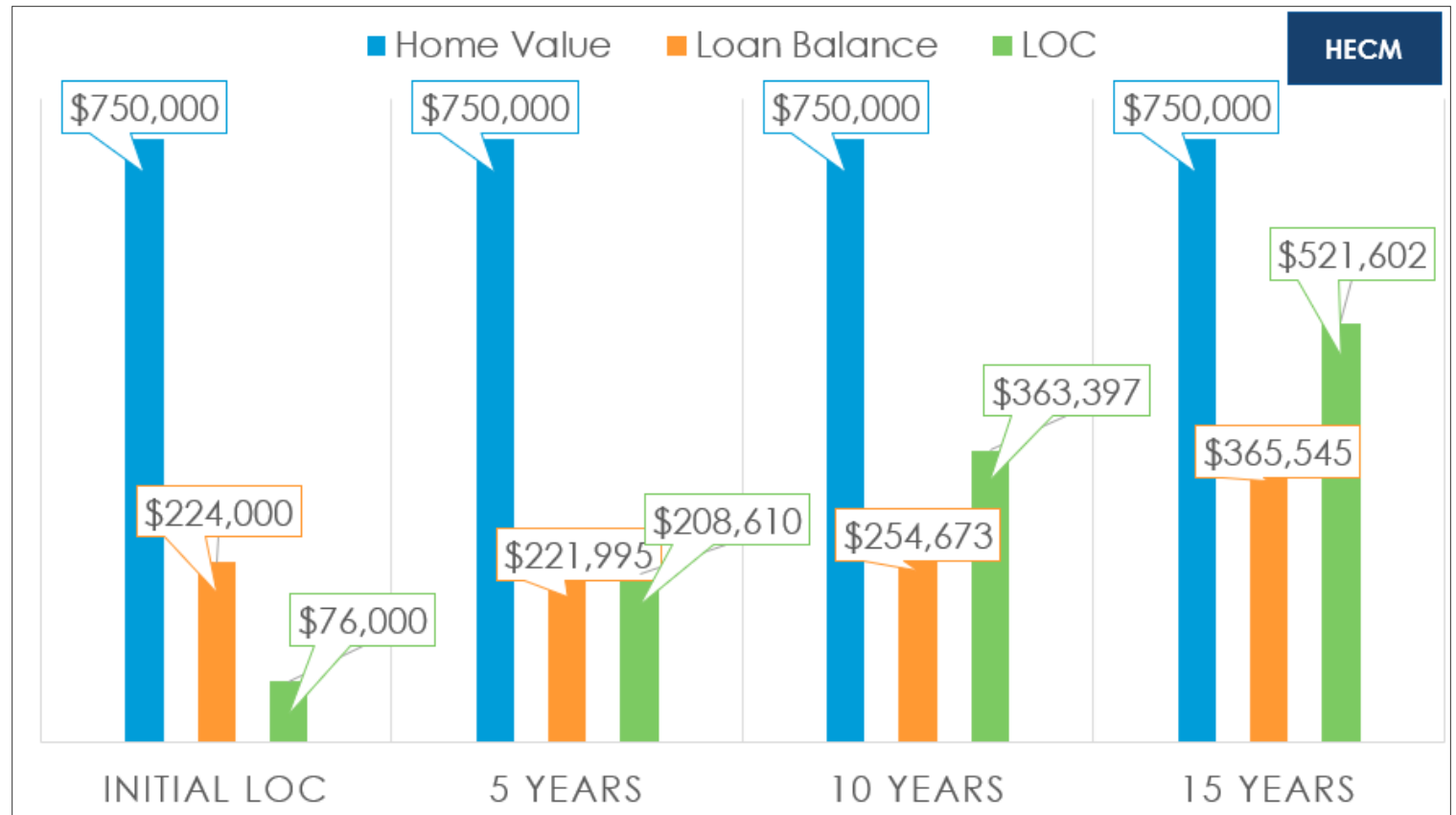
## CLIENT CASE – REMEMBER TOM AND SARAH

- 62 -year-old couple
- \$750,000 Home
- Both still actively working, No immediate need today, plan to delay taking social security for maximum step up.
- **What if they made the same monthly payment toward their Reverse Mortgage of \$1,381.16 while they work until age 70?**
- **What if Real Estate doesn't appreciate during this time?**

# REPLACE EXISTING MORTGAGE

Home Value	\$750,000
Product Selection Label	Reverse Mortgage
Credit Line Growth Rate	7.75%
Total Principal Limit	\$300,000
Closing Costs	\$24,000
Debt Payoff & Initial Withdrawal	\$200,000
Home Value Appreciation	0%
Client Age (youngest)	62
Monthly Payment (8 yrs only)	\$1,381,16

Cash Flow Savings of **\$116,017**  
 Line of Credit at age 77 of **\$521,602**



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## **UTILIZATION OF LOAN PROCEEDS AS A BUFFER ASSET FOR ADDITIONAL CASH FLOW**

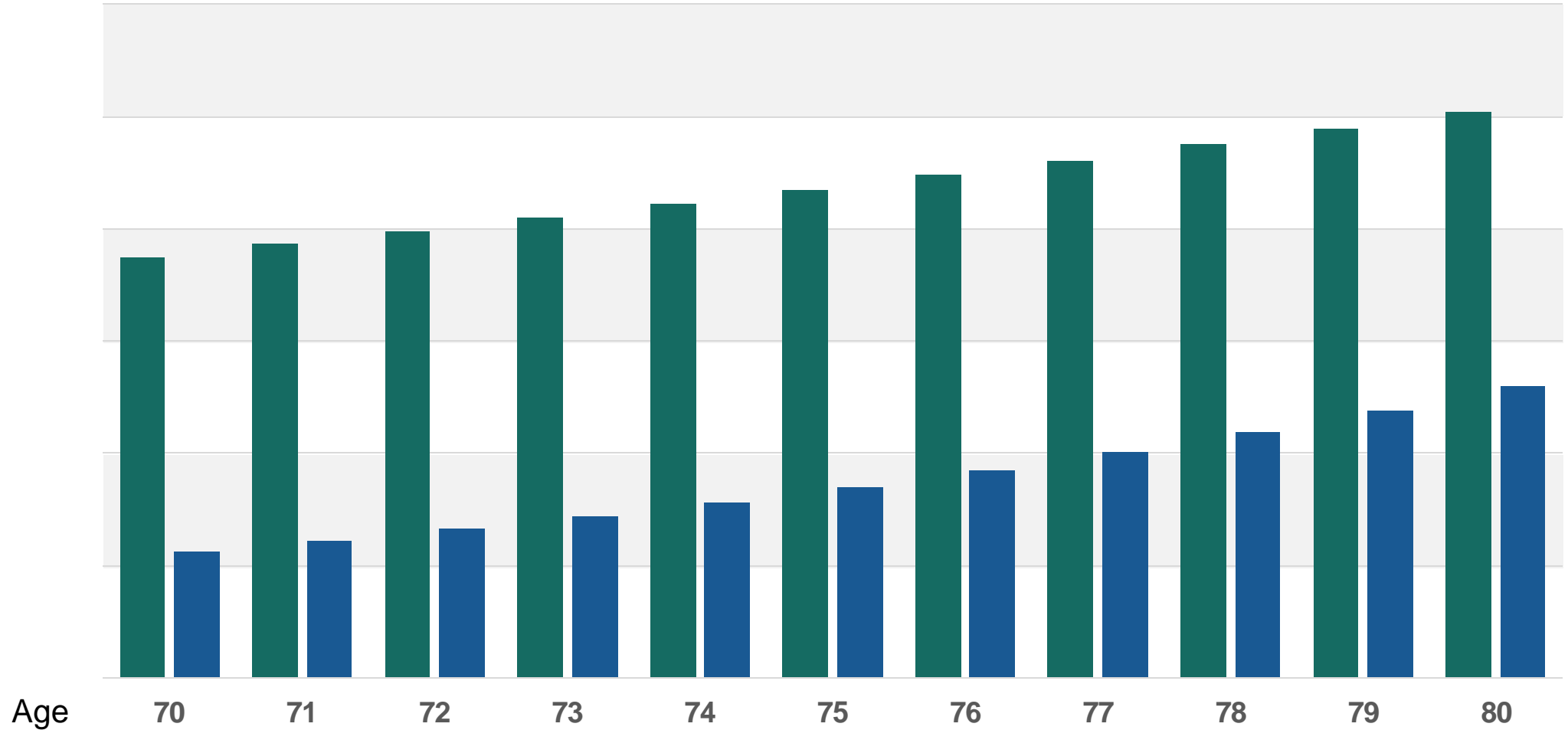
- Compare conceptually to a deferred annuity



## DEFERRED ANNUITY REVIEW

- Accumulation value
- Benefit Base
- Floor
- Cap
- Income Rider

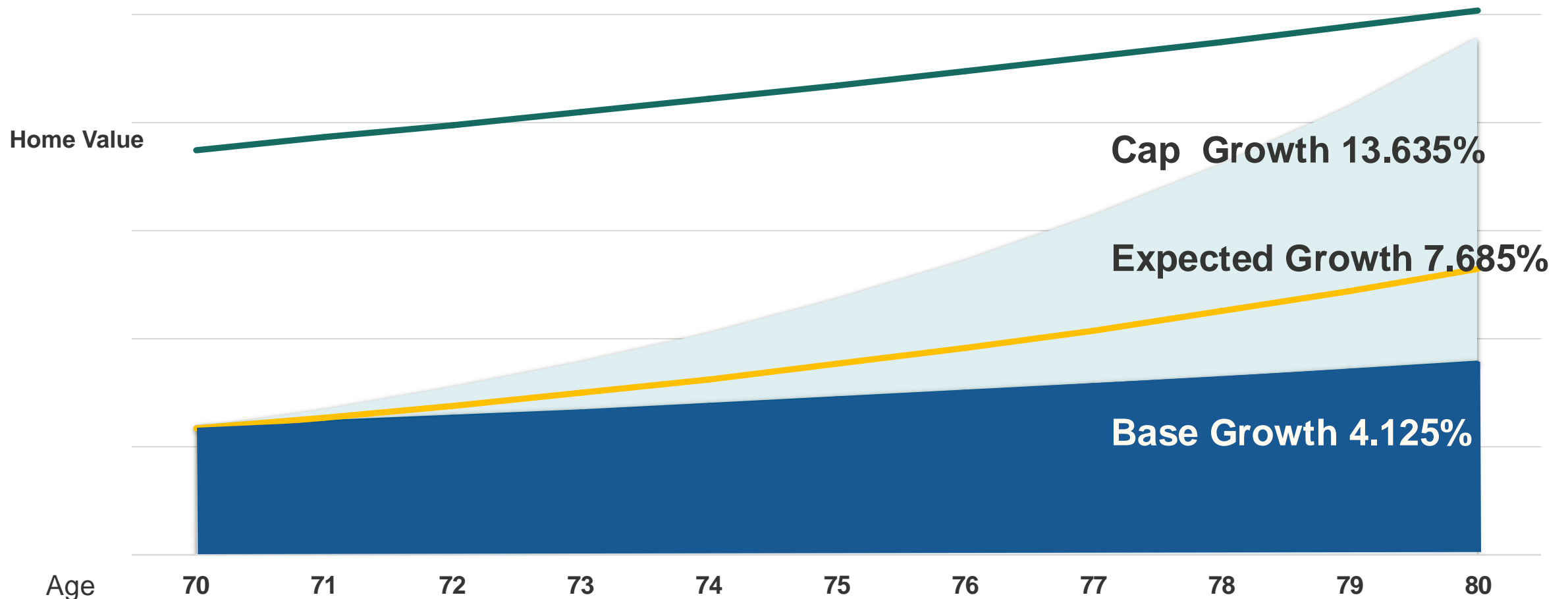
■ Accumulation Value Vs ■ Estimated Benefit Base



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# LINE OF CREDIT (BENEFIT BASE)

## 3% Assumed Home Appreciation

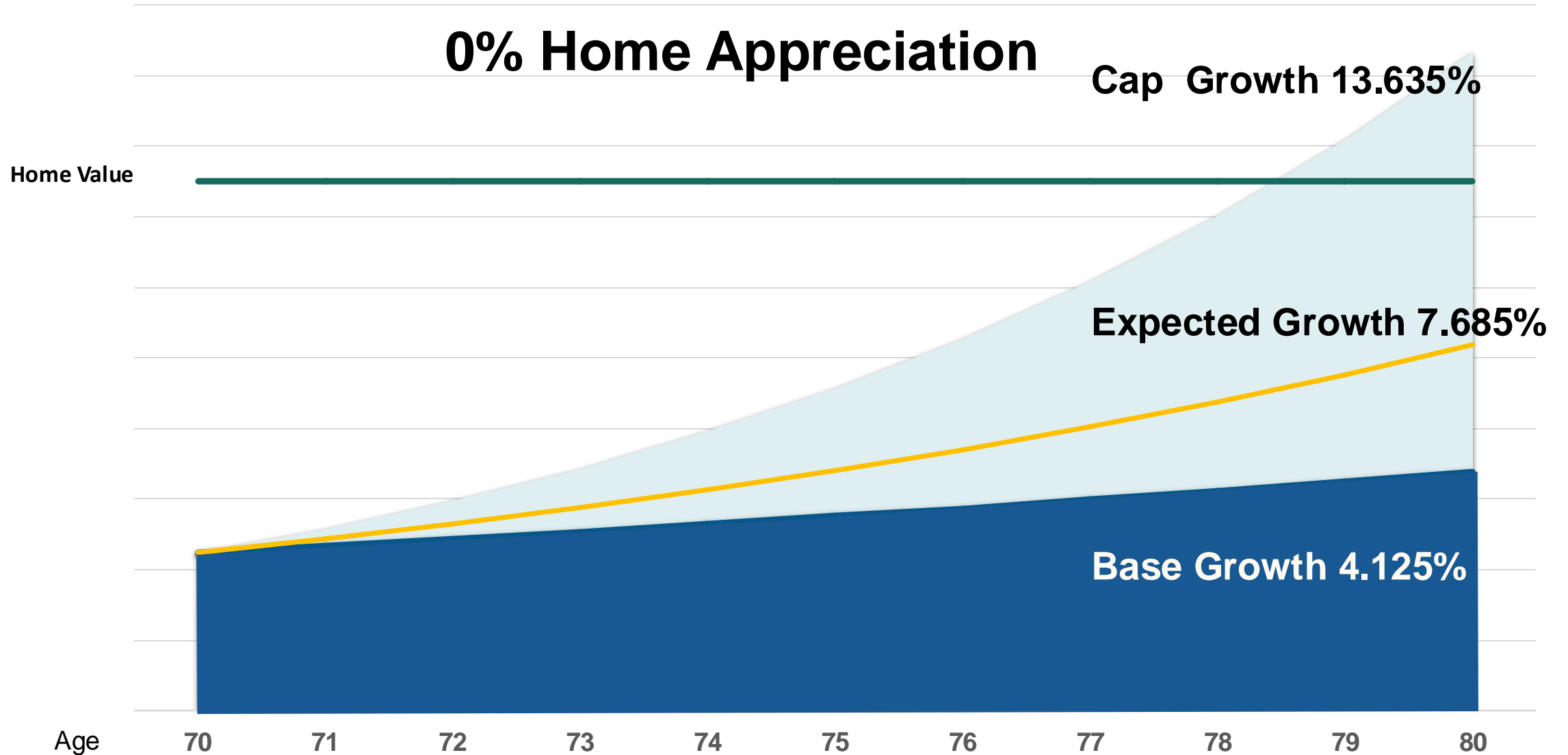


LOC Growth Range Base Growth Expected LOC Growth Home Value

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# LINE OF CREDIT (BENEFIT BASE)

## 0% Home Appreciation



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LOC Growth Range Base Growth Expected LOC Growth Home Value

# CONVERT LOC TO FIXED PAYMENTS

Initiates loan proceeds at age 80

**10.11%**  
Withdrawal rate

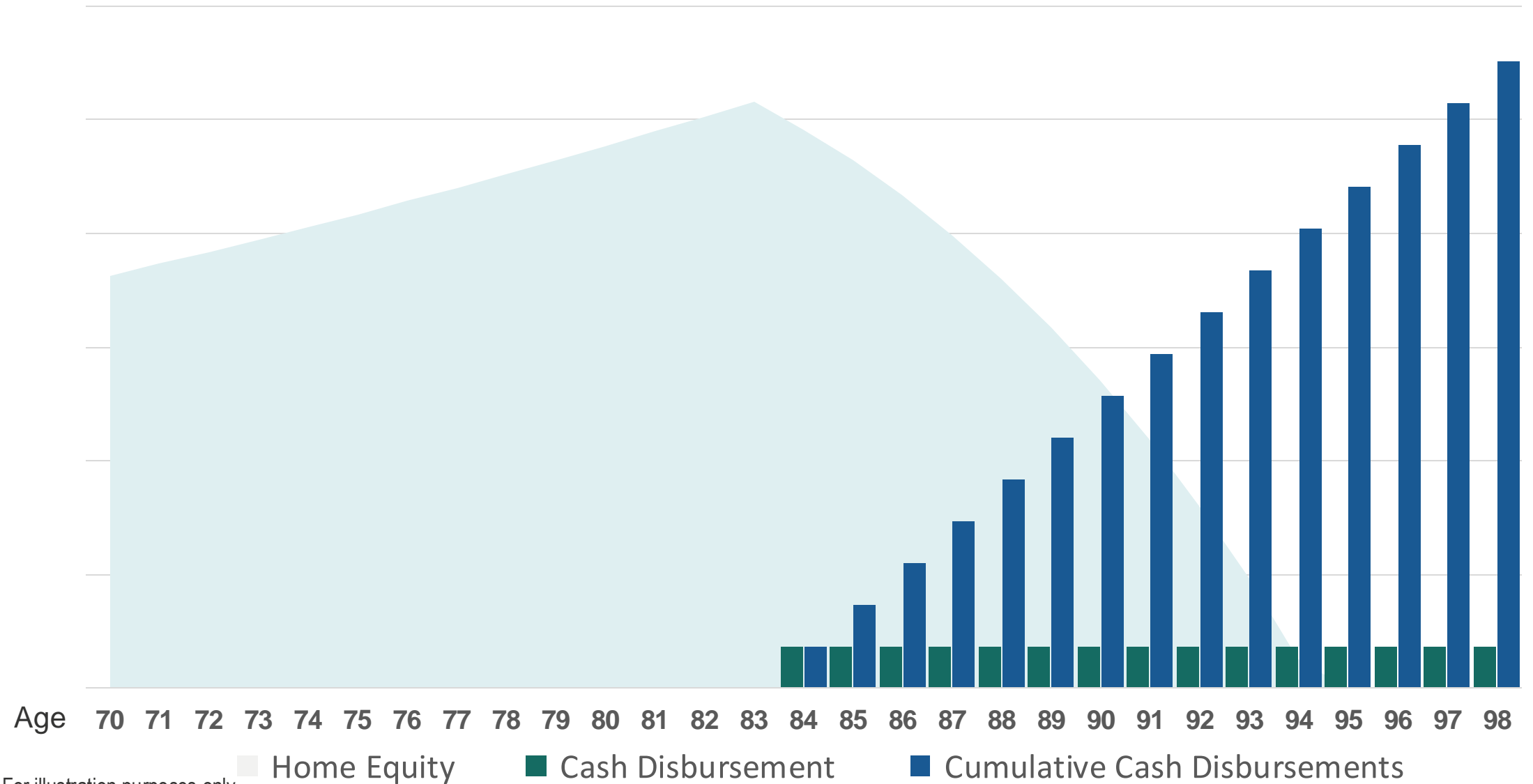
Example Withdrawal Rates

<b>62</b> 8.51%	<b>68</b> 8.77%	<b>74</b> 9.24%	<b>80</b> 10.11%	<b>86</b> 11.94%	<b>92</b> 16.96%
<b>63</b> 8.55%	<b>69</b> 8.83%	<b>75</b> 9.35%	<b>81</b> 10.32%	<b>87</b> 12.44%	<b>93</b> 18.69%
<b>64</b> 8.58%	<b>70</b> 8.90%	<b>76</b> 9.47%	<b>82</b> 10.56%	<b>88</b> 13.02%	<b>94</b> 21.01%
<b>65</b> 8.63%	<b>71</b> 8.97%	<b>77</b> 9.60%	<b>83</b> 10.84%	<b>89</b> 13.72%	<b>95 +</b> 24.27%
<b>66</b> 8.67%	<b>72</b> 9.05%	<b>78</b> 9.75%	<b>84</b> 11.15%	<b>90</b> 14.58%	
<b>67</b> 8.72%	<b>73</b> 9.14%	<b>79</b> 9.92%	<b>85</b> 11.52%	<b>91</b> 15.63%	

Age 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98

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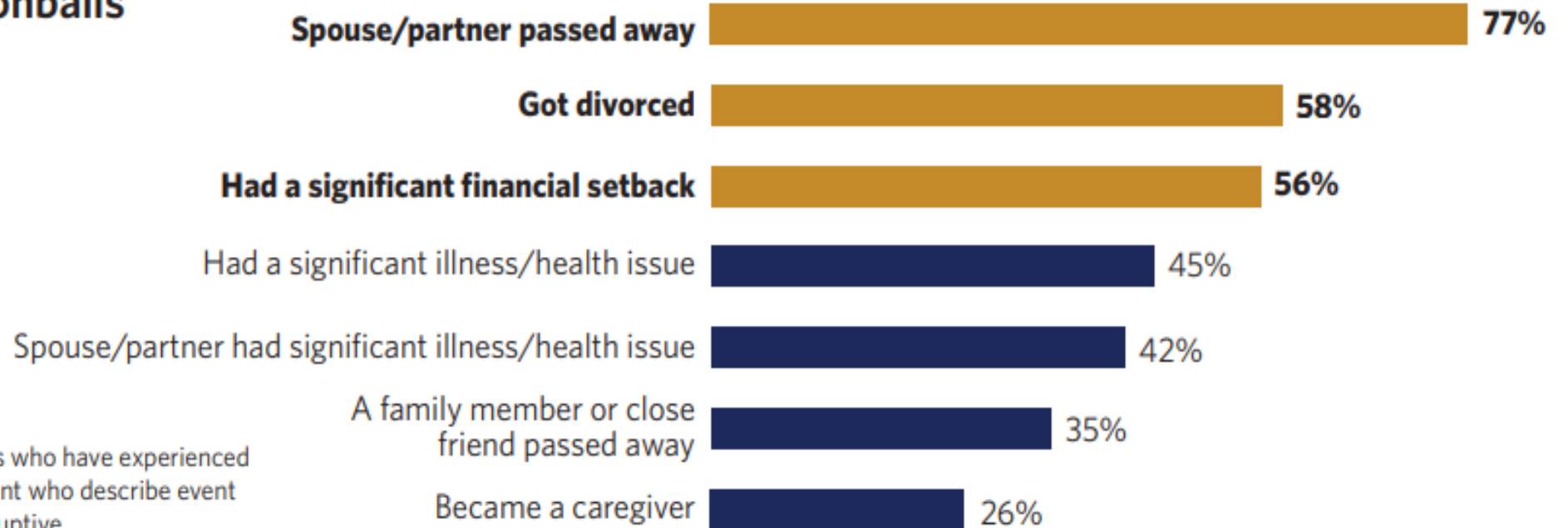
# SPENDING DOWN THE HOUSING ASSET



For illustration purposes only.

# PORTFOLIO STRESSORS

## Most disruptive curveballs and cannonballs



Base: U.S. retirees who have experienced each event, percent who describe event as extremely disruptive

# MITIGATE LOSS OF INCOME OR LTC EVENT

- **Loss of spousal income**
- **Self fund a long-term care event**
- Sequential cash infusions
- Non utilized RMD
- Delay social security (bridge)

**SOLVING FOR A  
LONG-TERM  
CARE EVENT BY  
DEFERRING OR  
DELAYING  
INITIAL LINE OF  
CREDIT DRAWS**

## Deferring the monthly proceed option on a HECM Line of Credit

### Why Defer?

- Available line of credit grows at the same rate as the note
- Line of Credit can be converted to fixed monthly distributions
- Compounding growth allows for fixed payments to increase until initiated
- Proceeds are not taxable\*
- FHA insurance protects borrowers and heirs if borrowed loan amount exceeds the home value

\*Please consult a tax advisor. This is not tax advice.

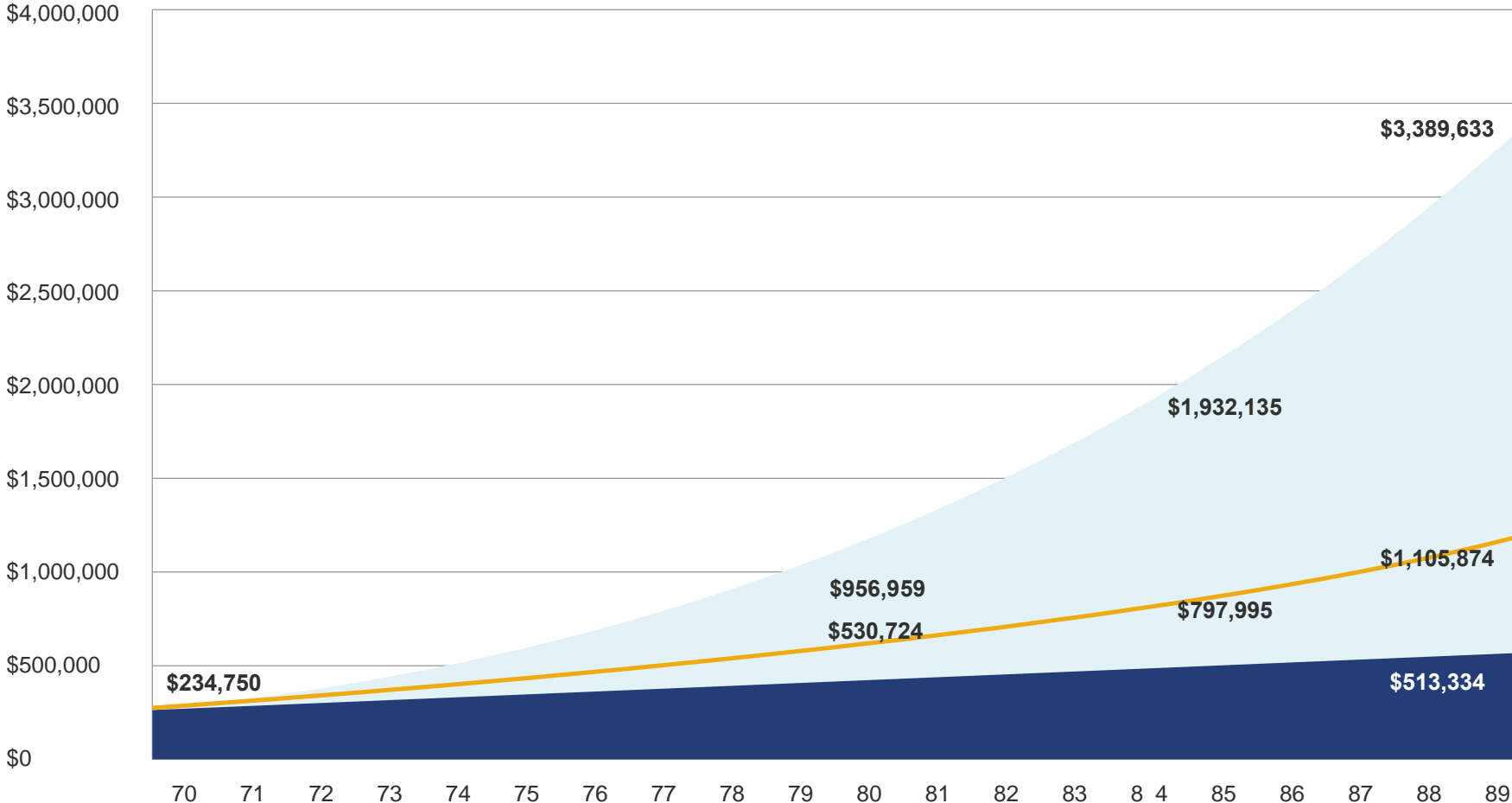
# CLIENT CASE – JACK AND JILL

- 70 year old couple
- \$750,000 home
- Free and clear
- No immediate need today

## Concern #1

- What if one of the spouses passes and they have a reduction of income (SS/pension)?

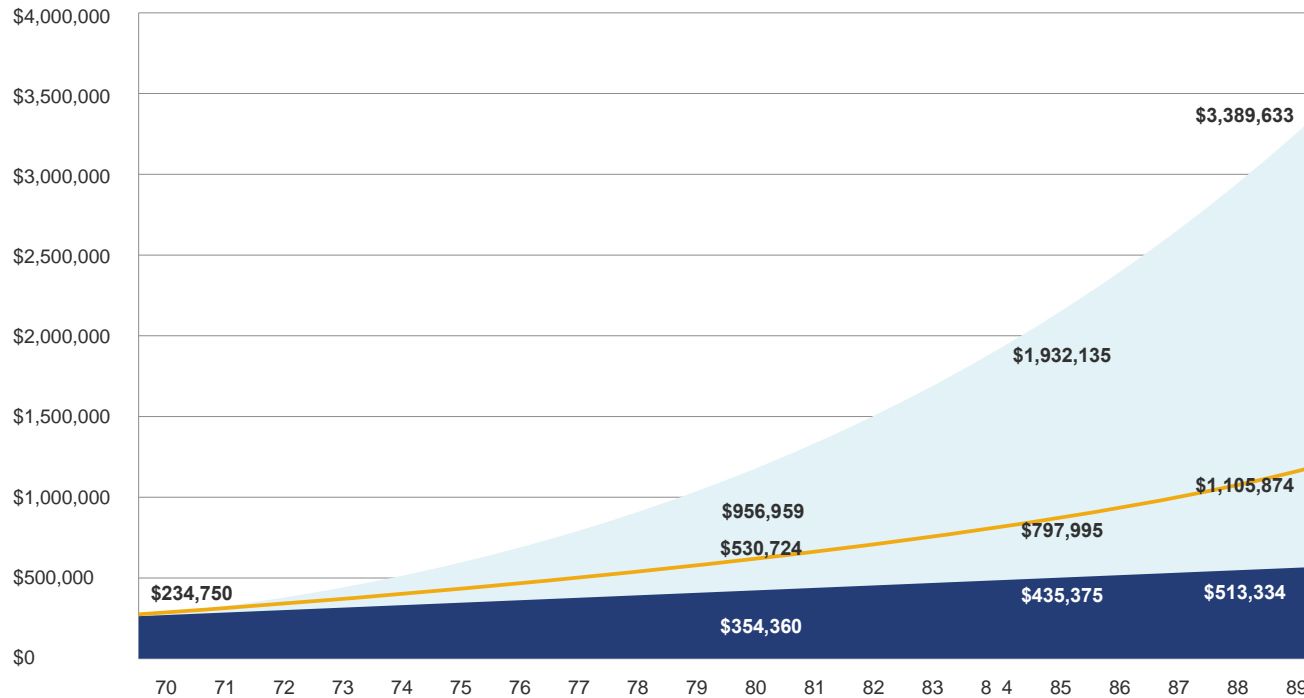
# CLIENT CASE – REMEMBER JACK AND JILL



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# FIXED PAYMENT CONVERSION

## LOC Growth + Increasing Withdrawal Rates



62	8.51%	68	8.77%	74	9.24%	80	10.11%	86	11.94%	92	16.96%
63	8.55%	69	8.83%	75	9.35%	81	10.32%	87	12.44%	93	18.69%
64	8.58%	70	8.90%	76	9.47%	82	10.56%	88	13.02%	94	21.01%
65	8.63%	71	8.97%	77	9.60%	83	10.84%	89	13.72%	95 +	24.27%
66	8.67%	72	9.05%	78	9.75%	84	11.15%	90	14.58%		
67	8.72%	73	9.14%	79	9.92%	85	11.52%	91	15.63%		

LOC Growth Range
  Base Growth
  Expected LOC Growth

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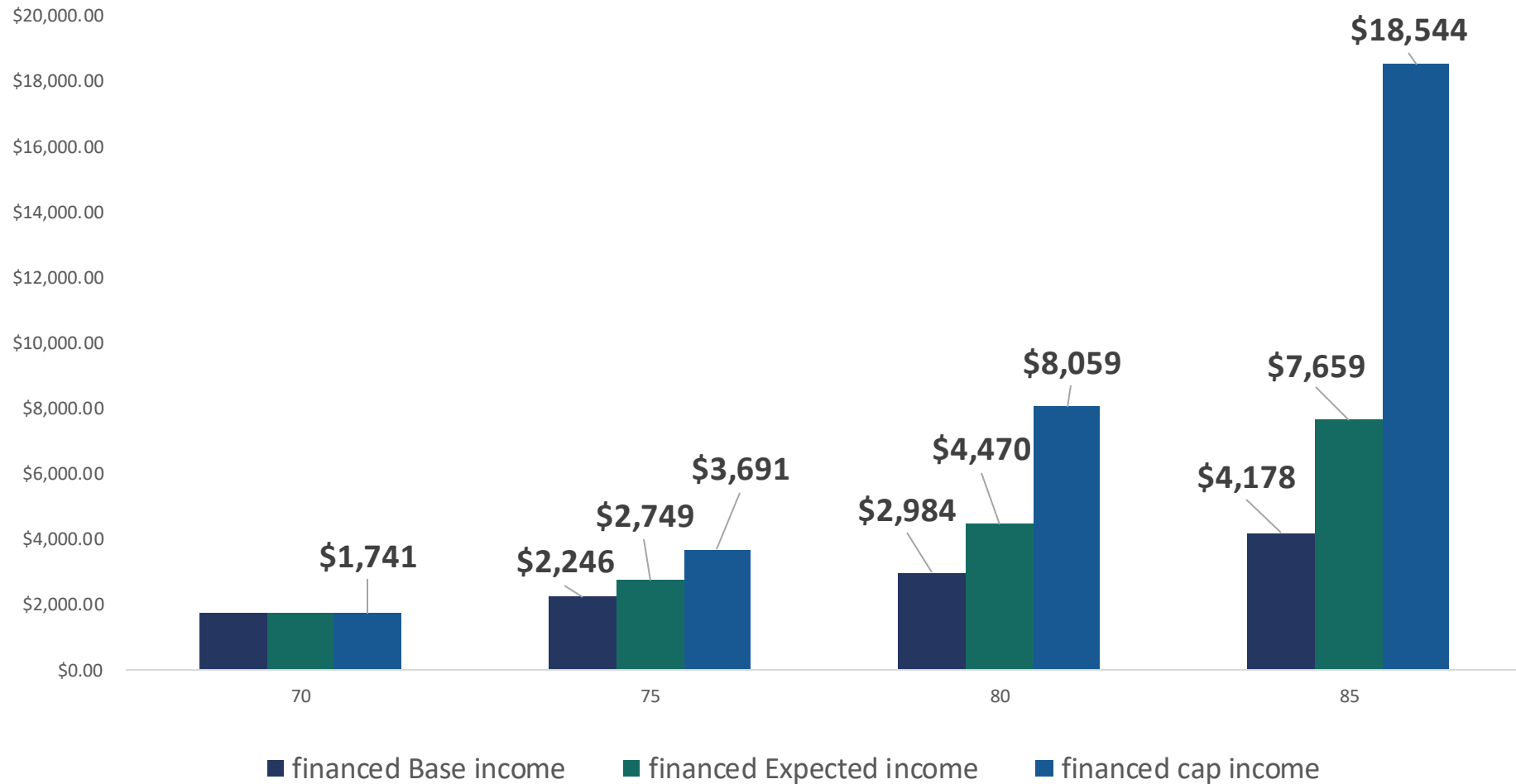
# FIXED PAYMENT CONVERSION

- Income loss protection
- Longevity insurance

Age	Delayed Tenure Amount	YOY % Change
73	\$2,283	9.56%
74	\$2,504	9.66%
75	\$2,748	9.77%
76	\$3,020	9.90%
77	\$3,324	10.04%
78	\$3,663	10.19%
79	\$4,042	10.37%
80	\$4,470	10.57%
81	\$4,952	10.79%
82	\$5,499	11.04%
83	\$6,122	11.33%
84	\$6,836	11.66%
85	\$7,659	12.04%
86	\$8,615	12.48%
87	\$9,735	13.00%
88	\$11,061	13.61%
89	\$12,648	14.35%
90	\$14,575	15.24%

For illustration purposes only.

# FIXED PAYMENT CONVERSION



For illustration purposes only.

# CLIENT CASE – REMEMBER JACK AND JILL

- 70 year old couple
- \$750,000 home
- Free and clear
- No immediate need today

## Concern #1

- What if one of the spouses passes and they have a reduction of income (SS/pension)?

## Concern #2

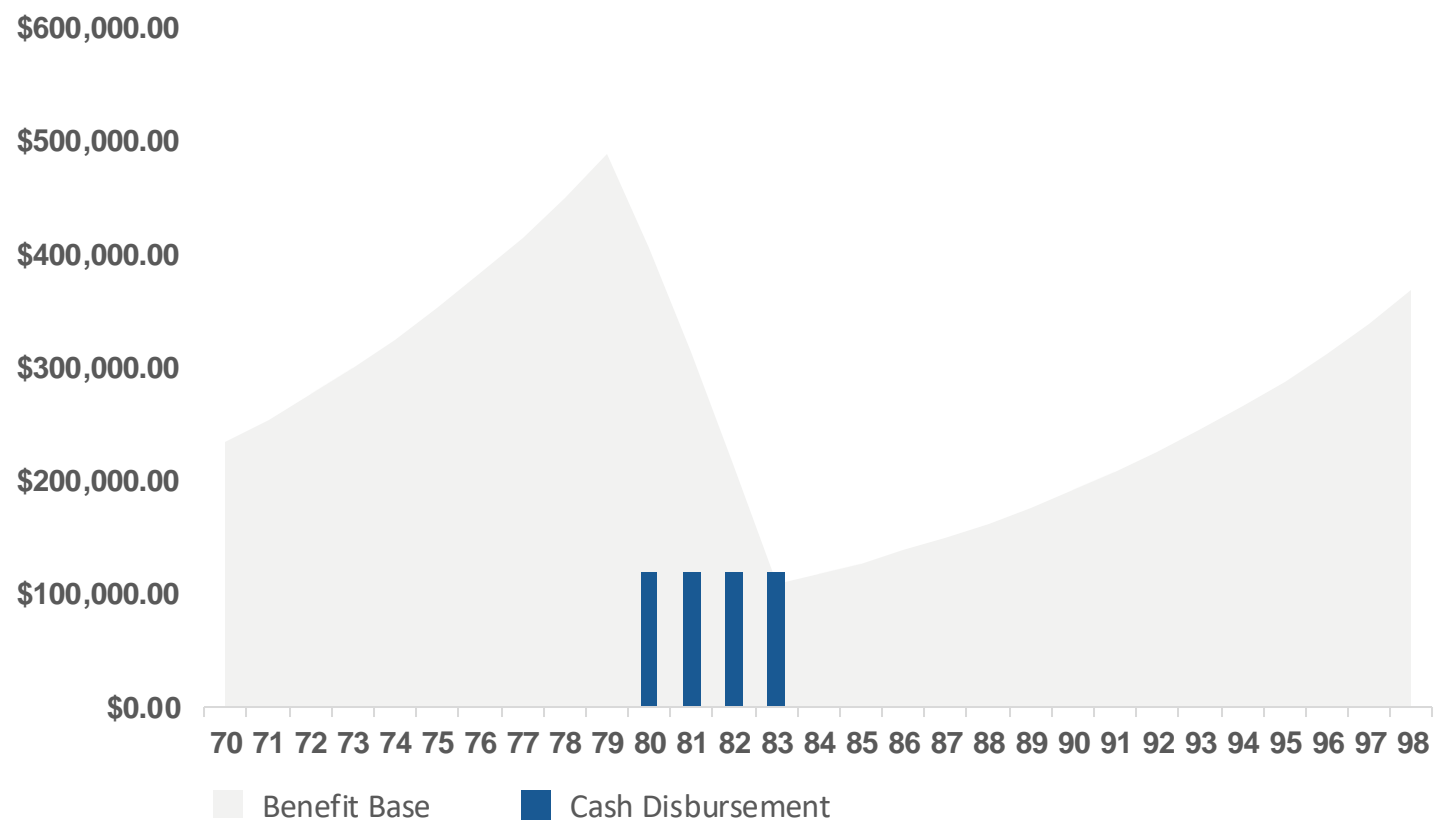
- What if they have a LTC event?

# TERM FIXED PAYMENTS

- Turn on fixed payments for the long-term care need for a term length
- No ADL requirements
- Cash benefit
- No claim process
- Tax-free\*
- Turn payments off when no longer needed

## For Example:

Jack needs \$10,000/mo for 4 years  
A \$480,000 LTC event all funded with the home



\*Please consult your tax advisor. For illustration purposes only.



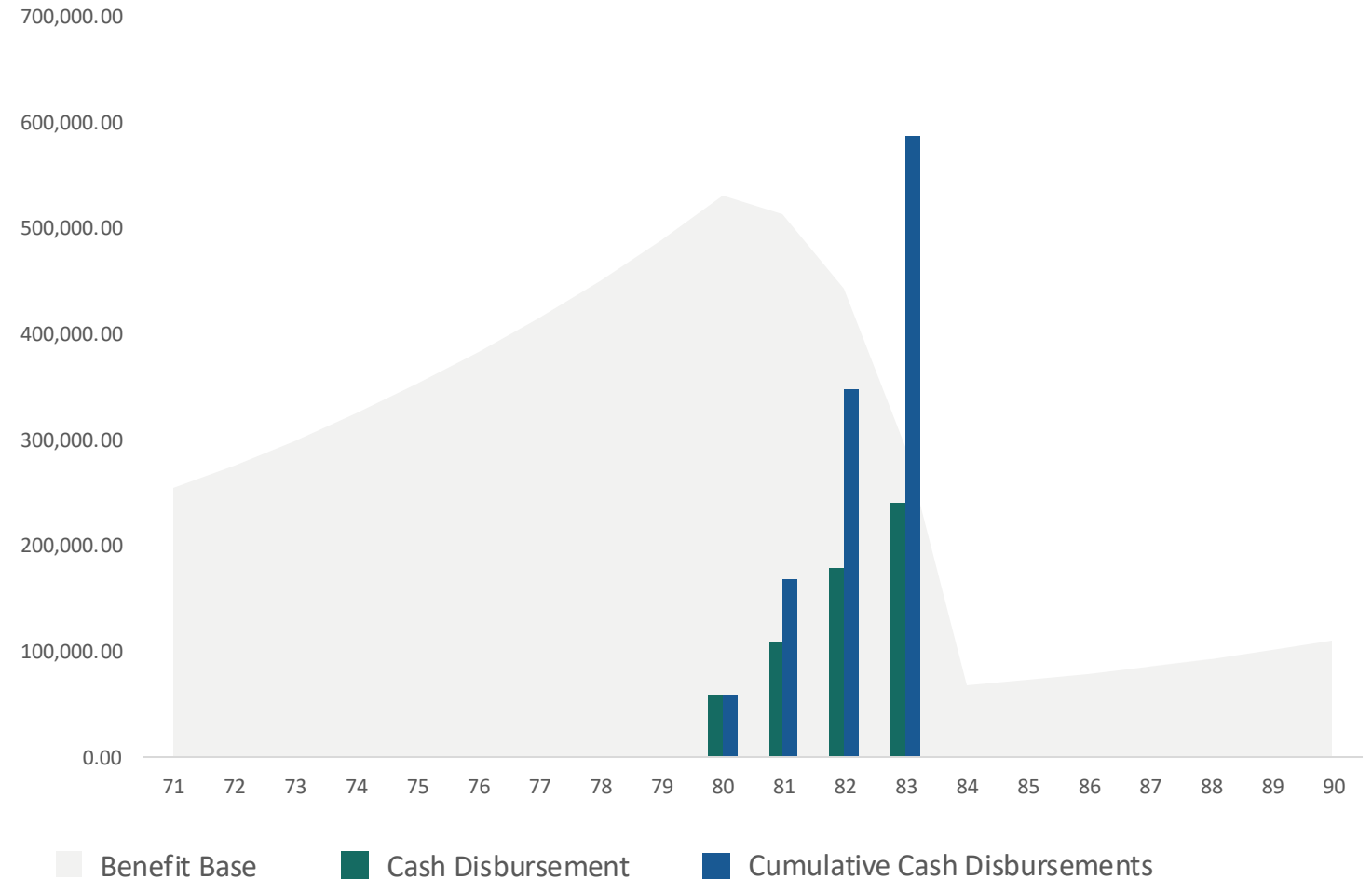
# PAYMENT PLAN CHANGES

## Jack's LTC Need

- \$5,000/mo for year 1
- \$9,000/mo for year 2
- \$15,000/mo for year 3
- \$20,000/mo for year 4

## A \$588,000 LTC event

Could still create \$626/mo for surviving spouse



For illustration purposes only.

# CLIENT CASE – JACK AND JILL

- 70 year old couple
- \$750,000 home
- Free and clear
- No immediate need today

## ☑ Concern #1

- What if one of the spouses passes and they have a reduction of income (SS/pension)?

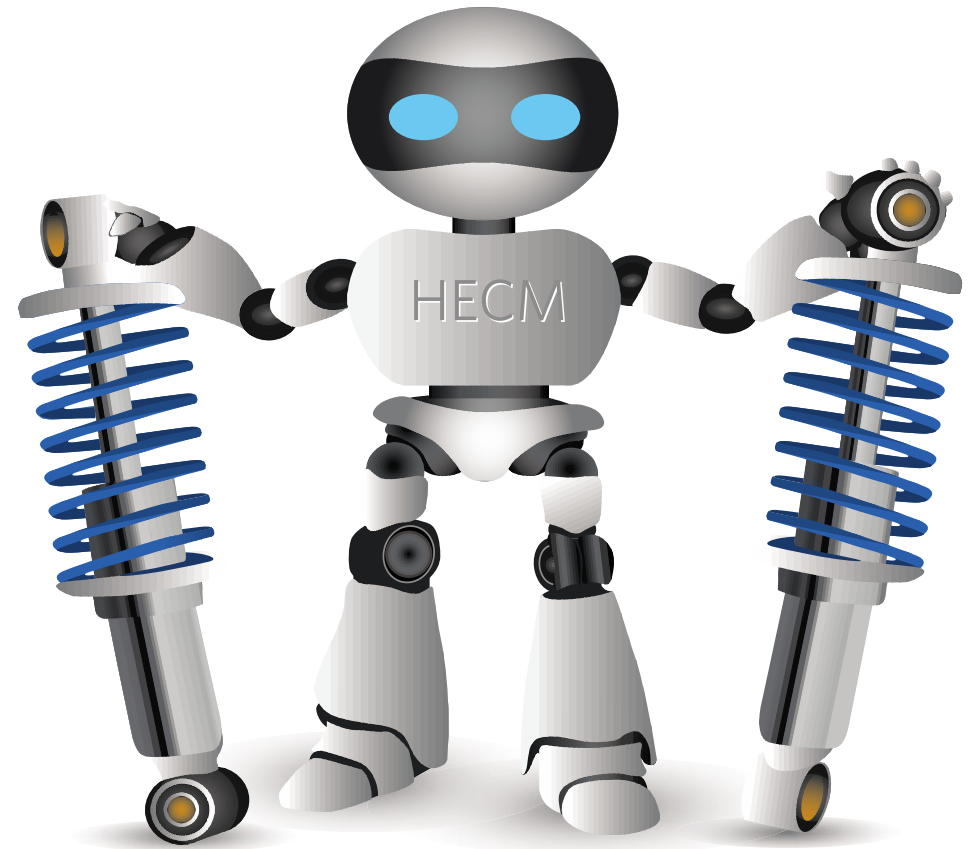
## ☑ Concern #2

- What if they have a LTC event?

# REDUCE PORTFOLIO DRAWS WITHOUT SACRIFICING SPENDING

## The HECM as a Shock Absorber for Retirement Years

- Dental, Vision, and Health Emergencies
- Home Modifications or Deferred Maintenance
- Liquidity Shock
- Inflation Shock
- Divorce Shock
- Portfolio Shock



**“The reverse mortgage option should be viewed as a method for responsible retirees to create liquidity for an otherwise illiquid asset, which in turn can create new options that potentially support a more efficient retirement income strategy (more spending or a greater legacy).”**

## **Wade Pfau**

Ph.D., CFA, RICP | Founder of Retirement Researcher

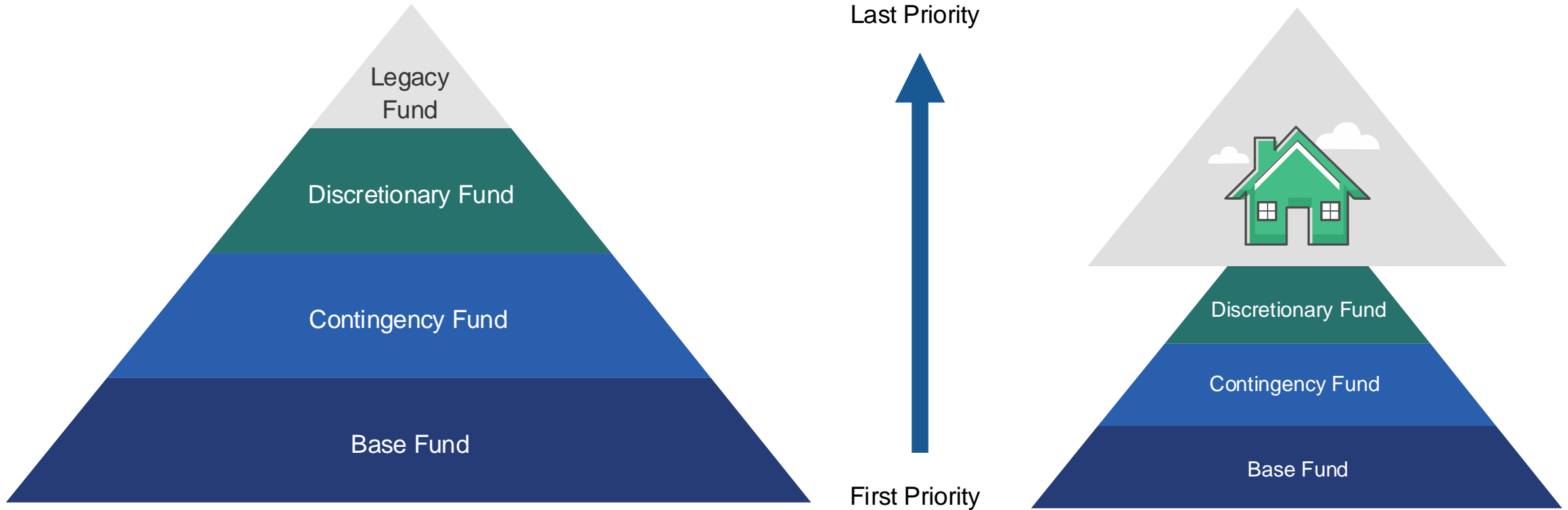


<https://www.retirement-resource-center.com/how-to-use-reverse-mortgages-to-secure-your-retirement/>



# RESERVE ASSET

## Modern Retirement Theory



Source: Branning and Grubbs: [www.modernretirementtheory.com](http://www.modernretirementtheory.com)



## **PURCHASE A RETIREMENT HOME WITHOUT MONTHLY MORTGAGE PAYMENTS/\* PORTFOLIO INVASION**

- Purchase a home with our Lifestyle Home Loan\*\*
- Preserve proceeds from the sale of the residence

\*Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees. \*\*The Lifestyle Home Loan is a Home Equity Conversion Mortgage for Purchase.

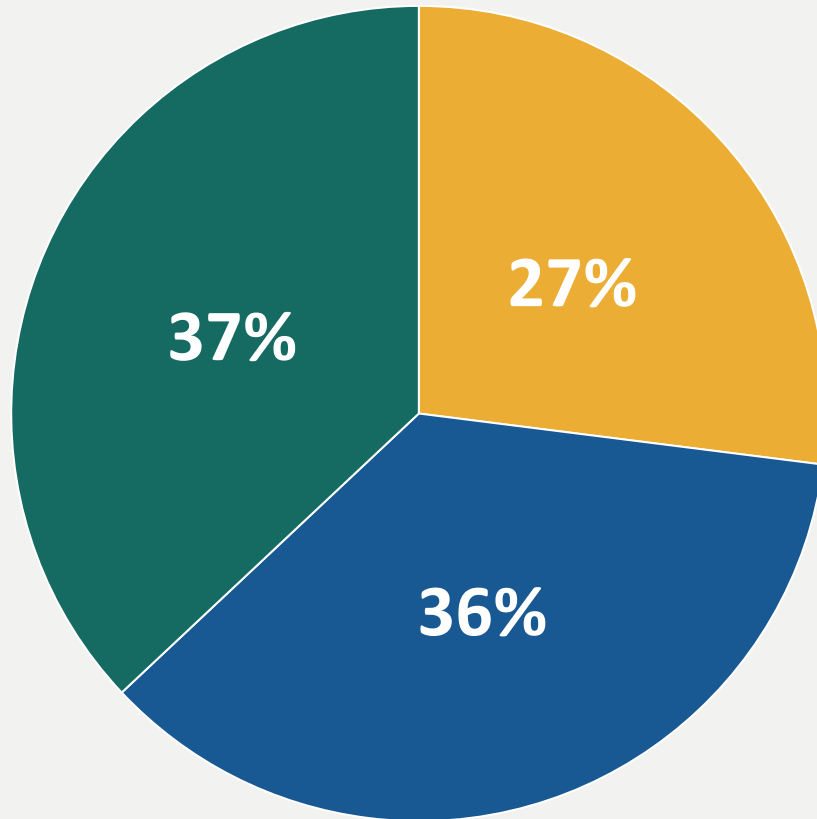


# **LIFESTYLE HOME LOAN\* PROVIDES A UNIQUE FINANCING SOLUTION FOR AFFLUENT BABY BOOMERS**

- Is uniquely suited to the distribution phase
- Reduces cash investment in the new home
- Reduces the impact moving costs
- Improves cash flow
- Makes possible the purchase of the home your client wants, include their wanted upgrades

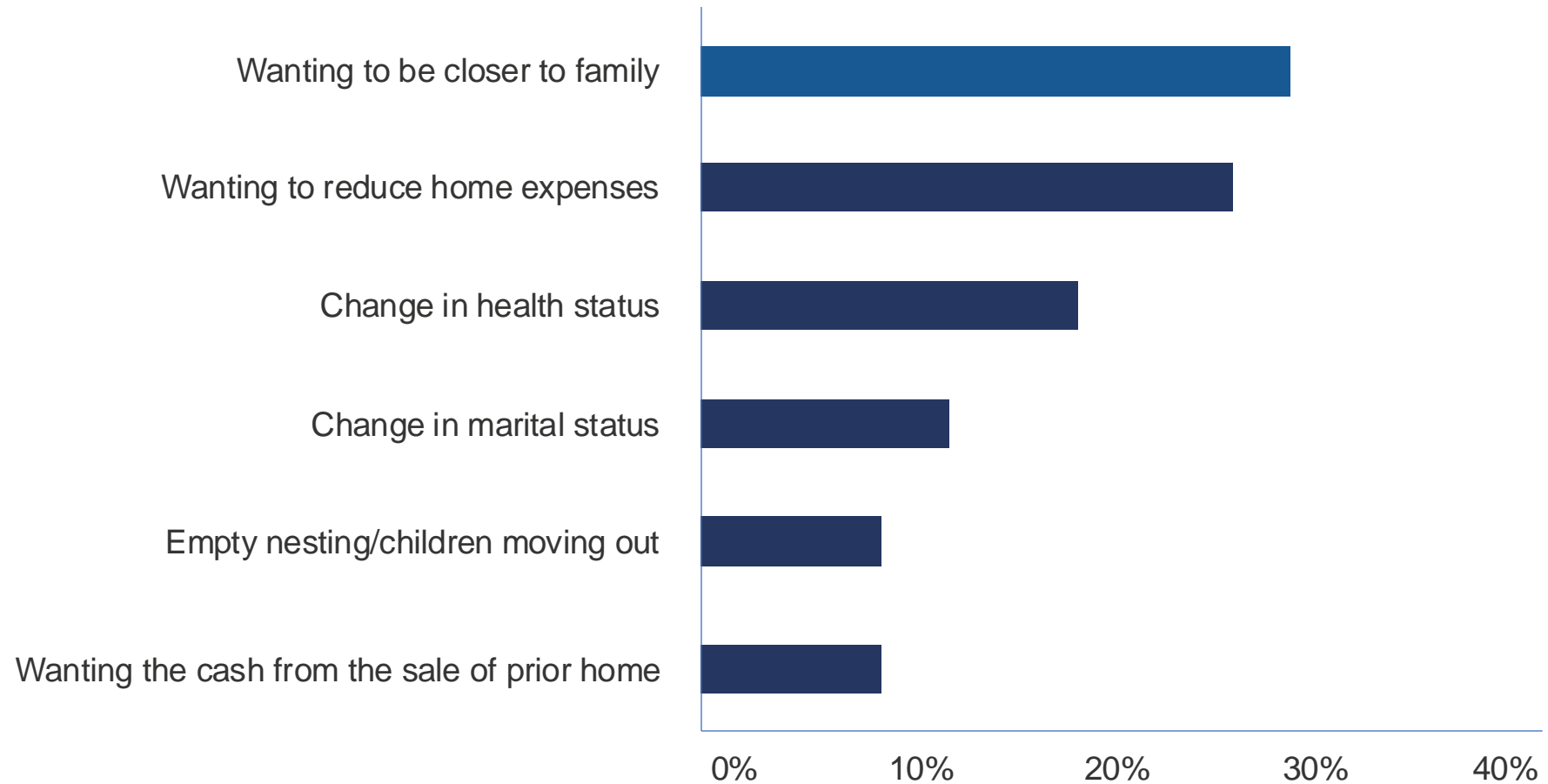
\*The Lifestyle Home Loan is a Home Equity Conversion Mortgage for Purchase.

## WHAT IF JACK AND JILL WANT TO MOVE?



- Do not anticipate moving in retirement
- Have moved in retirement
- Have not yet moved but anticipate moving

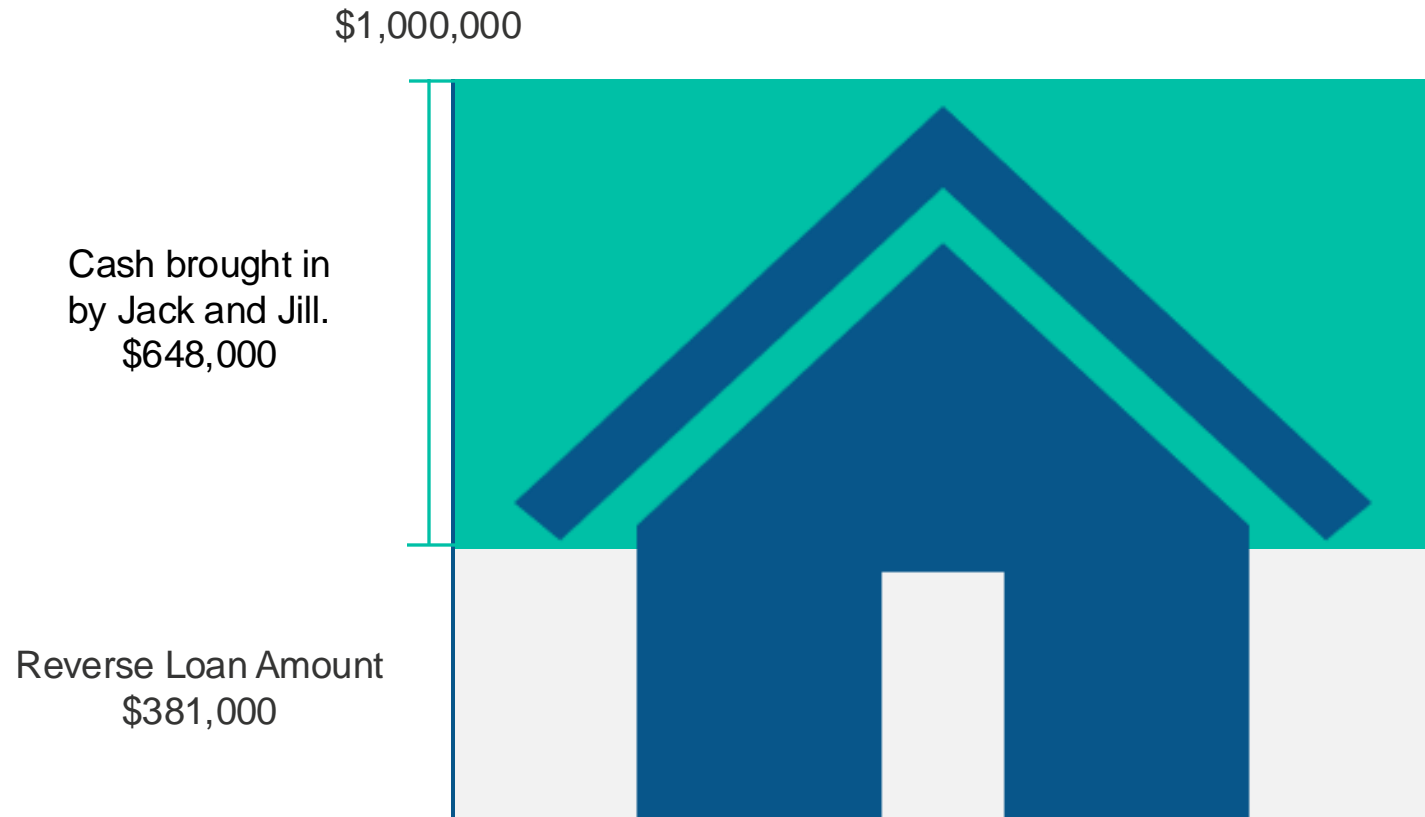
# REASONS FOR MOVING



Base: Age 50+ retirees who have moved since retiring

Source: <https://www.nar.realtor/sites/default/files/documents/2020-generational-trends-report-03-05-2020.pdf>

# BUYING A HOME WITH A REVERSE MORTGAGE



For illustration purposes only.

# REVERSE FOR PURCHASE



For illustration purposes only.



# REVERSE FOR PURCHASE

If they decide to:	Downsize	OR	Upsize
Cash After Sale	\$700,000		\$700,000
Cost of New Home	\$500,000		\$800,000
Reverse Mortgage	\$190,500		\$304,800
Cash Needed to Close	\$328,500		\$520,200
<b>Cash Remaining</b>	<b>\$371,500</b>		<b>\$179,800</b>

For illustration purposes only.

# DOWN PAYMENT MATRIX

Age of youngest borrower >>>>

PURCHASE PRICE	62	65	70	75	80	85
\$400,000	\$293,200	\$284,800	\$270,000	\$258,000	\$239,600	\$213,600
\$500,000	\$364,000	\$353,500	\$335,000	\$320,000	\$297,000	\$264,500
\$600,000	\$434,800	\$422,200	\$400,000	\$382,000	\$354,400	\$315,400
\$700,000	\$505,600	\$490,900	\$465,000	\$444,000	\$411,800	\$366,300
\$800,000	\$576,400	\$559,600	\$530,000	\$506,000	\$469,200	\$417,200
\$900,000	\$647,200	\$628,300	\$595,000	\$568,000	\$526,600	\$468,100
\$1,000,000	\$718,000	\$697,000	\$660,000	\$630,000	\$584,000	\$519,000
	<b>DOWN PAYMENT</b>					

Example shown is for illustrative purposes only. Actual down payment amounts may vary based on interest rate, borrower age and other factors. This range assumes closing costs will be financed into the loan. Closing costs include an up-front mortgage premium of the property value as well as other closing costs such as an origination fee, title insurance, appraisal fee, credit report fee and recording costs. Please check with your Lifestyle Home Loan Specialist for actual figures.





## **GLOSSARY/ADDENDUM**

# ELIGIBILITY/REQUIREMENTS/BENEFITS

## Eligibility:

- Age (62+), primary residence, financial assessment (willingness and capacity)

## Borrower responsibilities:

- Live in the home as a primary residence, pay property taxes, HOI and HOA (if applicable), and maintain the property

## Benefit determined by:

- Age of youngest borrower on title, appraised value of the home, current expected interest rates, and the product chosen

## Receiving the benefits:

- Any combination of lump sum cash, monthly payments, tenure payments, or line of credit

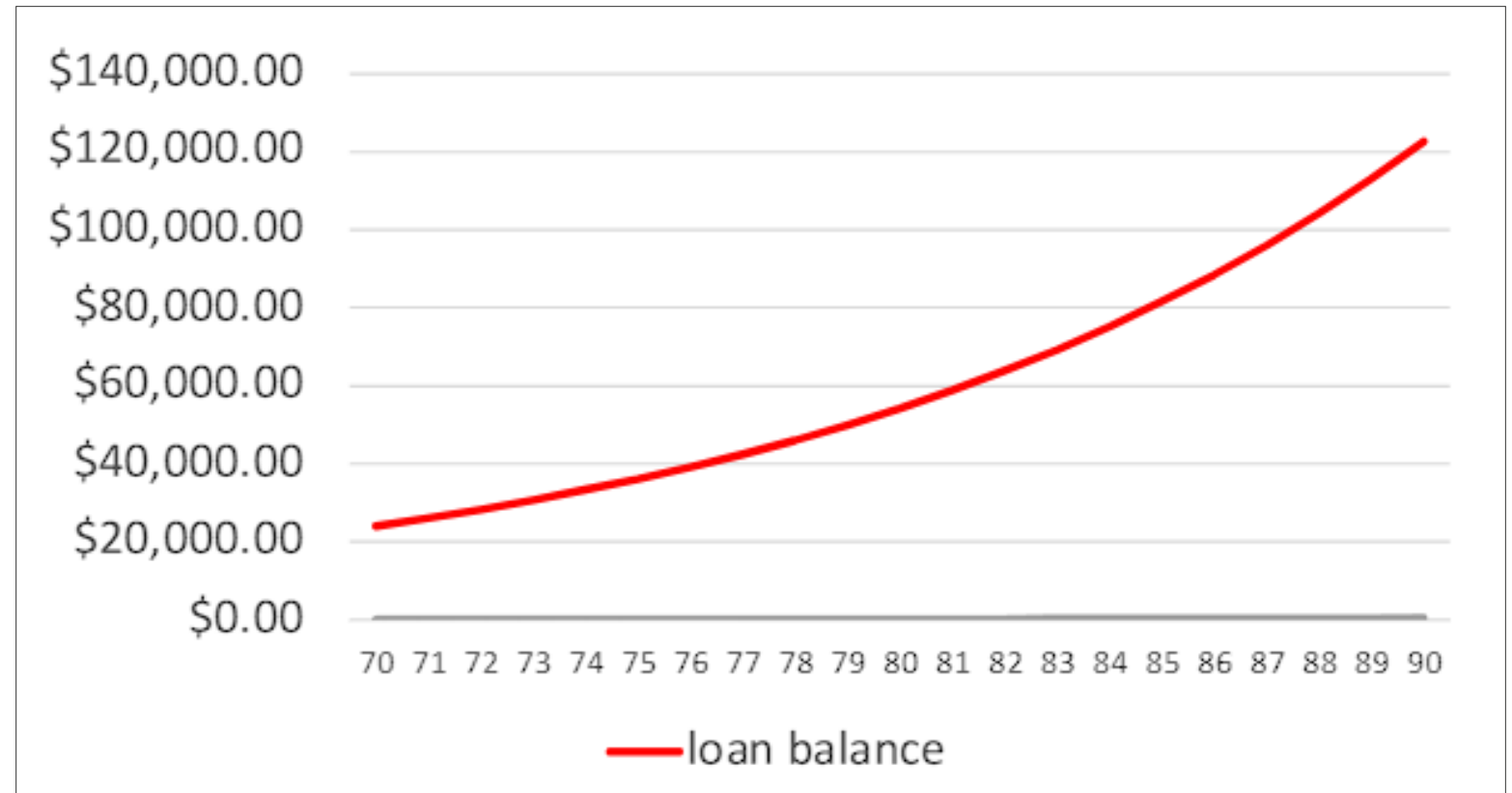
# CONSUMER SAFEGUARDS

**Borrowers are protected by a wide range of safeguards, making the HECM the safest, most regulated HUD mortgage available. These include:**

- HECMs are non-recourse
- The homeowner retains title to the home as long as the loan terms are satisfied
- The homeowner/estate is entitled to remaining equity
- Third-party counseling is mandatory prior to application
- Equity line cannot be cancelled, frozen or reduced
- Line of credit grows regardless of home value

# COSTS

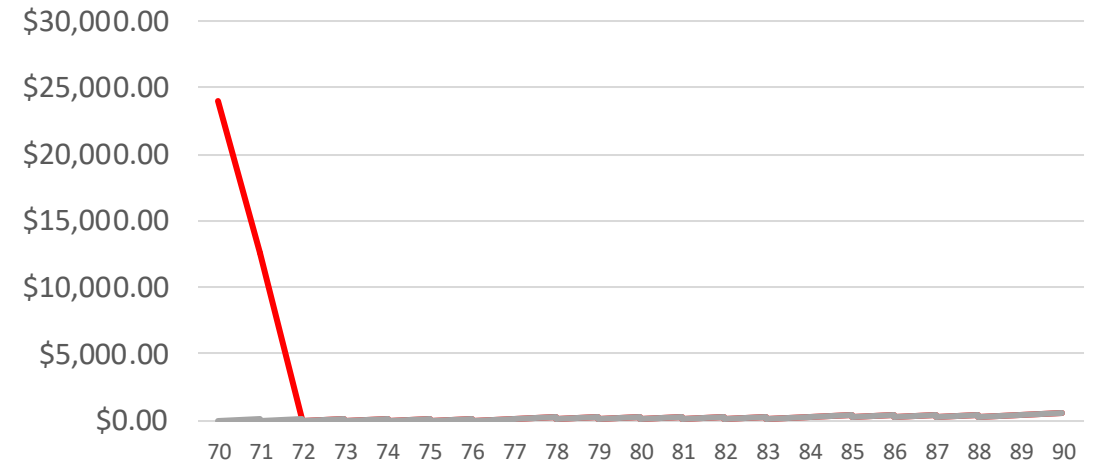
Jack and Jill would have nearly **\$24,000** in financed closing costs and roughly **\$450** in out-of-pocket costs.



# OPTIMIZE BY PAYING DOWN CLOSING COSTS



VS



- Clients can make voluntary payments to pay down the loan balance.
- Any payments toward loan balance will increase line of credit availability dollar for dollar
- No prepayment penalty
- Borrowers must leave at least \$100 on the loan balance

For illustration purposes only.

	Home Equity Line of Credit	Traditional Mortgage	HECM Reverse Mortgage
Converts home equity into loan funds	YES	YES	YES
Age-based lending	NO	NO	62 or older
Maximum loan limit	No set amount	No set amount	Up to \$1,209,750***
Flexible repayment feature	NO	NO	YES
Minimum monthly mortgage payment required*	YES	YES	NO
Non-recourse feature**	NO	NO	YES
Income qualifications	Stricter	Stricter	More lenient
Can be used to by a home	NO	YES	YES

\*Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees.

\*\*Borrower won't owe more than the home is worth when the loan is repaid. \*\*\*For case numbers assigned on or after January 1, 2025.



# THANK YOU!

For more information, please call:

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Director of Strategic Business Planning

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[MutualReverse.com/lo/Geoffrey-Wallace](https://MutualReverse.com/lo/Geoffrey-Wallace)



Borrower must occupy home as primary residence and remain current on property taxes, homeowner's insurance, the costs of home maintenance, and any HOA fees. If your heirs want to keep the home after your death, they will have to repay either the full loan balance or 95% of the home's appraised value, whichever is less.

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Charges such as an origination fee, mortgage insurance premiums, closing costs and/or servicing fees may be assessed and will be added to the loan balance. As long as you comply with the terms of the loan, you retain title until you sell or transfer the property, and, therefore, you are responsible for paying property taxes, insurance and maintenance. Failing to pay these amounts may cause the loan to become immediately due and/or subject the property to a tax lien, other encumbrance or foreclosure. The loan balance grows over time, and interest is added to that balance. Interest on a reverse mortgage is not deductible from your income tax until you repay all or part of the interest on the loan. Although the loan is non-recourse, at the maturity of the loan, the lender will have a claim against your property and you or your heirs may need to sell the property in order to repay the loan, or use other assets to repay the loan in order to retain the property.

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