



## ***The Keys to Taking and Passing the NMLS Test***

There is a lot of trepidation for those who face taking the mortgage loan originator licensing test. I have seen experienced loan officers fail and others straight out of college pass on the first try. Though there might seem to be no rhyme or reason regarding these results, there is most definitely a science to taking the test and a preparatory approach that will increase your chances of success greatly.

There is an old saying -- *Success is not an accident*. I have often modified this saying by adding -- *...neither is failure*. There is no better example of this statement than taking the licensing exam. Studying randomly and taking the test without adequate preparation increases the chances of failure.

In this article, I would like present what it will take to go about studying and preparing in the right way. First here, are a few points about the test.

- **Industry Success.** The test is not a measure of your potential for success in the industry. Ninety percent of what is on the test will never be used again. However, your ability to prepare for the test in the right way will be somewhat of a predictor of success. Loan officers who prepare and go about their business the right way, are more likely to succeed.
- **Be Serious.** You must take the test seriously, whether you are new to originations, new to the industry or an experienced producer. No one memorizes what year all laws were passed or the penalties for making a phone call. And if you are older and have short-term memory issues, remembering superfluous information such as this will be more difficult.
- **Pilot Questions.** Some of the questions on the test do not count because they are being piloted/tested for future use. Unfortunately, if a question does not make sense, there is a 90%+ chance it is a real question.
- **Not Infallible.** As professional as the test is, they are not beyond making mistakes or having outdated information in a question. Or for the question to be ambiguous. If you are passing the test with flying colors, it does not make a difference. That is why you don't want to aim for being "close" to passing with regard to the final score.

Beyond these general points, it is time to get more specific about your approach to preparing for and taking the test.

- **No Industry Experience.** If you have no industry experience, you will lack the foundation to answer certain questions. The foundation you do have will vary depending upon your experience. Here are a few examples:
  - *Homeowner.* If you are an experienced homeowner, this will help.
  - *Real Estate Agents.* If you are a licensed real estate agent, insurance agent or even a financial planner, any of these backgrounds will be helpful.
  - *Banking.* If you have banking experience -- for example, dealing with auto loans, this experience would be a plus.
  - *Mortgage operational experience.* An experienced processor should be familiar with many of the laws, programs, terms and qualification concepts.
  - *Degrees.* The more schooling you have had, the more experienced you should be with regard to studying and taking tests.

On the other hand, if you are not a homeowner and have done nothing related besides sales, your foundation is not in place. The majority without experience who fail, do so because of lack of general mortgage knowledge. The test assumes you know what certain terms mean. For example, the test may ask what the tolerance is for prepaids on a Loan Estimate. But do you know what a prepaid is?

This is why we recommend a basic general mortgage knowledge course for novices taking the test. This course should be taken concurrently with the required 20-hour license preparation course or right afterwards. But in any case, certainly before they take the test. There is more information regarding OriginationPro Mortgage School's *World of Mortgages* course at the end of this article.

- **Taking the course.** The 20-hour course (yes, you better memorize "20" and "8" hours) has volumes of information. You can't memorize it all. Typically, a loan officer prospect will print the material and highlight like crazy. But you can't effectively study hundreds of pages of information. And highlighting pages is no way to organize the information. Therefore, here is what I recommend:
  - Open a word document as you are taking the course.
  - Every time you see an item you would highlight, write down a bullet point. *Note: Do not handwrite—make bullet points on a computer document.* In this case, I am assuming you would highlight items you will not remember or are new to you.
  - Organize the bullet points by topic. For example, under RESPA you might have the letter of the regulations (X), something about escrow analysis and something about kickbacks.
  - Later on, this organization will be really helpful as you take practice tests and study for the actual exam. But I will start by saying this--- studying four to ten pages of bullet points is a lot easier than studying hundreds of pages of materials.

The course will have review questions and practice exams. Take these seriously. And when you get a question wrong, or you get it right, but you were not 100% sure—add a bullet point. Place these under the categories you created.

- **After the course.** It is highly recommended that you take plenty of practice exams after finishing the course. One test with the course is not enough, unless you are experienced and really have mastered the information. Practice tests are important because:
  - They give you practice taking tests. The more you take, the better you will become at it. Some taking the licensing exam have not taken a test of any kind in years or even decades.

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- With regard to practice, I suggest you read each question and the answers carefully – out loud. When we read silently, our minds skip over words. Yet, the questions and answers have simple words that change the meaning of the question and/or the answer. When you read slowly out loud, you are much less likely to skip a word.
- This practice should include what is known as a “process of elimination” with regard to multiple choice questions. What does that mean?
  - Randomly, you should get 25% right the questions you don’t know.
  - If you eliminate answers that are wrong, you move that number up. Typically, two answers are clearly wrong and two could be right. One is usually better than the other, but if you eliminate the two wrong answers—your probability is now 50%. If you know 60% of the answers and get 50% of the ones you don’t know, you pass!
  - There are other variations. For example, if there are two answers that mean the same exact thing, they cannot be the answer unless there is an “all of the above” or “a and b” answer.
- The practice tests will confirm what you don’t know. Again, for questions you get wrong, you need to add bullet points. And if you get them wrong more than once—make those bullet points red and move them to the top of the first page.
- With regard to what you don’t know—even if you know the answer to the question, read the other answers. If you don’t recognize what they are—look them up and add a bullet point. The question you get on the test may be about these “unknown” answers, or they may become part of a question, rather than an answer. For example, the question might be:

This legal term refers to the government taking private property for public use.

- Eminent Domain
- Utility Easement
- Condemnation
- Encumbrance

The answer in this case is Eminent Domain. But do you know the definition of the other three? Simply Google them and right them down if you don’t. That way you are expanding your knowledge even further when taking practice tests.

The next question is—when do you stop taking practice tests? Do not stop if you are scoring in the mid- or high-70’s. You want to be in the mid-80’s or higher.

- **Scheduling the test.** There is a balance with regard to the timing of the scheduling the test. Unless you know the information 100%, you should not schedule it the very next day after finishing the course. On the other hand, you don’t want to wait too long because your memory of the material will start to fade. You should only wait if you are studying constantly and taking practice tests. Any major pause can put you back to square one with regard to studying.

What day of the week is better? There is not one better day – as long as you can cram the day before. In other words, don’t schedule for Monday, unless you can study during the weekend. Again, if you have an organized list of bullets, studying will be easier. You can even have someone test you on your bullets. Some like flash cards, but having the bullets to work with can be just as effective.

- **The composition of the test.** The NMLS publishes an outline of the test ([Click Here](#)). The test has 125 questions, 10 of which are unscored (pilot questions). The outline is as follows:
  - Mortgage related laws 23%
  - General mortgage knowledge 23%
  - Mortgage loan origination activities 25%
  - Ethics: 16%
  - Uniform state content: 13%

Most without mortgage experience fall short within the general mortgage knowledge area. Sometimes it is hard to differentiate categories of questions. For example, an MLO activity may be generating disclosures which are required by a certain law. Regardless, I have found that certain laws/areas have major concentrations:

- The Safe Act and anything having to do with licensing—from the composition to the course, to the entities who created the regulations. Even the forms numbers you have to file for different circumstances.
- RESPA -- because it is an important law and has many parts to it. Example of cross categorization—the kick back prohibitions of RESPA present the opportunity for ethics questions.
- TRID -- because it is the newest of regulations (obviously connected to RESPA and TIL).
- Dodd Frank – careful with answers that may be changing with the new Congress and Administration.
- Do memorize the “letters” of the regulations implementing the law.

The math required is pretty simple – calculating ratios or loan amounts for example. You won’t need or be provided with a financial calculator, just a simple calculator. When we talk about reading carefully, this is very important with math questions, as they may provide data which is not part of the calculations to throw you off.

- **Taking the test.** The testing center is very rigid. You will be required to put all possessions in a locker. I locked everything in my car and put my cell and keys in the locker. You will have a simple calculator as the math questions will require only the basics.
  - If you have taken plenty of practice tests and followed our guidelines, you would have covered many of our rules for taking the test, including reading slowly and carefully. While you can’t read “out loud” in the testing center, you can mouth the words.
  - Again, read all answers—even if you think you have the right one.
  - If you get stuck on a question—don’t agonize over the answer. Read it carefully and answer it to the best of your ability and mark the question for review. If you take too much time on a question, you will lose your rhythm and confidence. If you don’t spend too much time on tough questions, you will have plenty of time at the end to review.
  - You should have anywhere from 5 to 15 questions marked for review at the end. When you go back and read carefully again, you should typically go with your first inclination unless you did not understand the question.

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From the depth of this article, you can understand that taking the NMLS test is serious business. As it should be, because as loan officers we handle the most important financial decision most people make in a lifetime. Unfortunately, the NMLS test and course, is not near enough to help someone learn how to do this job right and this is why continuing education is important. But first things first—we hope you pass the test!

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- *Building and Leading a Mortgage Team.* Recruiting, assessment and mentorship skills for mortgage managers, owners and mentors.

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