

# How to Pass The NMLS Exam!

I have good news and I have bad news. The good news is that the NMLS National MLO licensing examination is a passable exam. The bad news is that, per the NMLS itself, only 53% of those who take the NMLS exam pass it on their first attempt.

## Who Must Pass the NMLS Exam?

Unless exempt, anyone desiring to originate residential mortgage loans securing one-to-four-family residential properties located throughout the United States, Guam, Puerto Rico, and the U.S. Virgin Islands must first secure a state-issued mortgage loan originator license. Exemptions apply to those originating residential mortgages under the employment of a depository institution regulated by a federal banking regulator or the Farm Credit Administration (FCA).

Among other prerequisites, for an individual to secure a state-issued mortgage loan originator license, the licensing candidate must take and pass the 120-question National MLO Licensing Examination. Passing this exam requires achieving a score of 75% or higher within a testing timeframe of slightly longer than three hours.

## Why is the NMLS Exam's Failure Rate So High?

The primary means for preparing for the NMLS National Licensing Exam is a mandatory 20-hour pre-licensing course. Ironically, the primary means for preparing for this exam is also its primary downfall.

The NMLS exam tests the licensing candidate's knowledge surrounding approximately 150 hours' worth of material. Basic logic concludes, therefore, that no 20-hour course can ever effectively deliver 150 hours' worth of material, regardless of the approved education provider's expertise. Consequently, test candidates who schedule and take their NMLS exam almost immediately after completing their 20-hour course

deprive themselves of the mandatory preparation needed for a successful exam experience.

It's also important to understand that the majority of the material on which the licensing candidate can expect to be tested has absolutely nothing to do with a mortgage loan originator's daily activities. Therefore, whether the test candidate is entering this exam with 30-years' worth of mortgage-industry experience or 30 minutes' worth, appropriate preparation is absolutely necessary in order to pass.

### The Four Strategies to Success!

#### *1. Knowledge*

The first step in passing the NMLS exam is to refrain from scheduling it immediately upon completing the 20-hour course. Furthermore, and to avoid convoluting material, any required state-specific pre-licensing education should be tabled until after passing the NMLS exam.

Successful test candidates understand that effectively preparing for this exam means studying. There is simply no way around that. If you lack the time and/or the ability to properly study, you might as well forgo the idea of passing this exam altogether. Studying does not mean reading a couple of pages from your 20-hour course material in bed before falling asleep. Appropriate studying means setting aside dedicated time, day after day, and studying like it's your job.

Your best friend in preparing for the NMLS exam is the [NMLS Test Content Outline](#). You should have received this document from your 20-hour course provider. The Test Content Outline is not only the document that approved education providers use to create their 20-hour courses, this is the document that the NMLS uses to create the NMLS exam. As such, you can see why this should be the foundation for your test preparation.

I thoroughly understand how detailed the NMLS Test Content Outline is. But similar to how a medical student must learn an exorbitant amount of material in order to become a physician, so must the mortgage loan

originator in order to pass this test. There's simply no way around this nor is there any shortcut that I can offer you. Plan on using the materials that you received from your 20-hour course provider along with the resources provided towards the end of the Test Content Outline to learn what you need to know. The bottom line is that, if you want to pass the NMLS exam, you have to commit to the work.

The NMLS exam is broken down into five modules (although the questions are randomly dispersed throughout the exam itself):

1. Federal Mortgage Related Laws (24%)
2. General Mortgage Knowledge (20%)
3. Mortgage Loan Origination Activities (27%)
4. Ethics (18%)
5. The Uniform State Content (11%).

There are 19 federal mortgage laws (and rules) with which one must be familiar in order to pass this exam. Strength in the Federal Law section is mandatory. One cannot pass this exam without performing well in this area. Even if the test candidate is strong in the other four areas, if he or she is weak in the Federal Law content area, he or she will not pass.

To properly learn the federal laws, approach each of the 19 federal laws from the following six study strategies:

1. What is the regulation's purpose? When was it enacted? And under what regulatory letter does it operate (if applicable)?
2. To what does the regulation apply?
3. To what does the regulation not apply?
4. What are the disclosures associated with the regulation and what are their issuance and, when applicable, their reissuance requirements?
5. What are the definitions associated with the regulation (this means seeking out the meaning for any term uncovered through studying with which you are unfamiliar)?
6. What are the regulation's document retention requirements?

A highly-effective strategy, having proven invaluable to many, is creating poster boards pertaining to each regulation. Document the information procured through the six study strategies on each poster board, supplemented by anything else referenced on the Test Content Outline. Next, hang these poster boards throughout your residence. By doing so, even while you're not actively studying, you will be subconsciously absorbing the material. Trust me. This works!

*Strategy One* - To successfully pass the NMLS exam, you must have knowledge surrounding everything appearing on the Test Content Outline.

## *2. Understanding*

Knowledge alone is not enough. The successful test candidate must also be able to demonstrate his or her understanding of the topics and concepts referenced on the Test Content Outline. How can you expect to be able to apply what you need to know if you lack understanding? One key way to demonstrate understanding is by being able to conduct articulate conversations regarding everything appearing on the Test Content Outline.

*Strategy Two* – To successfully pass the NMLS exam, you must be able to demonstrate understanding of all of the testworthy material.

## *3. Proficiency*

Proficiency is the third strategy to NMLS exam success. To demonstrate proficiency, one must find him or herself consistently scoring in the mid-to-high 90's on quality practice exams. If you're scoring in the 70's and 80's, that's great, but you have a way to go. Once you're *consistently* scoring no lower than the mid-to-high 90's on quality practice exams, you've satisfied strategy three.

Please note! Practice exams must *never* constitute one's sole and primary means for preparing for this exam. No practice exam is ever permitted to replicate an actual exam question. Practice exams, therefore, must only be used as a vital *supplement* to standard study practices. If you're in need of high-quality practice exams at an extremely reasonable price (in both timed

and untimed modes), please visit:  
[www.safeexamtraining.com/practiceexams](http://www.safeexamtraining.com/practiceexams)

*Strategy Three* – To successfully pass the NMLS exam, you must demonstrate proficiency by consistently scoring in the mid-to-high 90's on quality practice exams.

#### *4. Strategy*

Strategy itself is the fourth strategy to passing the NMLS exam. This exam is inherently and intentionally tricky. Test takers are regularly fooled by various tricks, an example of one being questions intentionally worded with double, triple, and quadruple negatives.

Being able to successfully navigate the NMLS exam's tricky nature is one of the key strategies for NMLS exam success. AxSellerated Development's NMLS Exam Prep Webinar recording, "Maximizing Your Success," available within the training videos offered through <https://safeexamtraining.com/nmls-test-prep/#epw> reviews sixteen test-taking strategies to accomplish just this. As a bonus, the webinar recording also provides eighteen additional study resources to supplement those offered through the Test Content Outline.

*Strategy Four* - To pass the NMLS exam, you must be able to successfully navigate through the exam's tricky nature.

As previously mentioned, the NMLS exam is a passable exam. Emerging from one's 20-hour course and immediately expecting to pass it, however, is nothing short of unrealistic. By faithfully following the tips and strategies discussed throughout this article, you can expect to find yourself joining the ranks of the 53% who pass the NMLS exam on their first attempt. Good luck!