
12 TIPS TO HELP YOU PASS THE NMLS EXAM!



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O V E R V I E W

Every mortgage professional who originates loans (except those employed by FDIC insured banks) must be licensed, and being licensed means having to pass the National Mortgage Lending System (NMLS) exam. The National Exam has 125 computer generated, multiple choice questions. You must pass the exam with a score of **75%** or higher. If you **FAIL** the exam, there is a **30 day** waiting period before you may retake it. If you fail the exam **3 times**, you will be required to wait **6 months** before retaking the exam.

According to the NMLS and CalBRE, between July 1, 2013 and December 31, 2016, the pass rate for first-time national-component test-takers was 62%. This means that almost 40% of participants that take the test - FAIL on their first attempt!



HERE ARE **12 TIPS** TO HELP YOU
PASS THE NMLS EXAM!

1

As a mortgage professional, your time is valuable. You may wonder why you should "waste" two or three days sitting in a classroom when you can take the class online and simultaneously manage your business - BUT THIS IS NOT A GOOD IDEA!! Think about it: What is the likelihood that you'll allow distractions, such as the phone, e-mail or visitors while you "watch" the webinar or take the online class? In which setting do you think you'll be less distracted - sitting at your desk or in a classroom?

Taking a live course taught by a skilled instructor with whom you can interact and ask questions is by far the best choice. It will allow you to gain a better understanding of the material, and if you understand it better you will be able to retain it better.

The NMLS give you three hours to complete the exam - USE YOUR TIME WISELY.

You may have friends who've bragged about how they finished the exam in an hour and a half. That's great ... and maybe you will too ... but don't plan for it. If you do, you're certainly free to leave. However, if you plan to spend only an hour and a half taking it and schedule something for an hour and a half later, you might find yourself squirming should 20-25 questions remain when you'd planned to leave.

You're afforded 3 hours, so allot for 3 hours.

No matter how tempting it may be, do not add information that's not there to a question. For example - consider the following question:

A customer asks his mortgage broker for the name of a good title company. The broker has a list of several companies with whom she has done business in the past. At what point, according to RESPA, must she give the customer an AfBA disclosure?

- A. at least 3 days prior to closing
- B. at the closing table
- C. at the same time she gives him/her the list of title companies
- D. She is not required to give an AfBA disclosure if she has no ownership or other interest in any of the title companies on the list

The answer would be "D". If the referring party does not have an ownership or other beneficial interest, an Affiliated Business Arrangement (AfBA) disclosure is not required by RESPA - Don't assume that referrals were made since the question did not STATE that information.

The NMLS test questions are frequently tricky. Imagine the following question:

"At what equity position is PMI automatically removed?"

- A. 80%
- B. 78%
- C. 22%
- D. 20%

Your mind races - you remember your instructor emphasizing that once the loan-to-value (LTV) ratio reaches 78 percent, PMI is automatically removed.

So you choose "B", and guess what? You're wrong. The question didn't ask about LTV. It asked about equity position. Clearly, the correct answer was "C", but by reading it quickly, you picked the wrong answer and possibly find yourself waiting to retake the exam.

Do yourself a favor: No matter how simple the questions seem, be sure to read each one at least twice.

TAKE A LIVE CLASS!

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PLAN TO USE ALL THREE (3) HOURS

3

LOOK OUT FOR THE NEGATIVES

4

READ EACH QUESTION TWICE

5

You're almost certain to find wording such as "excluded," "everything other than," "except for," and "not" in questions.

Be careful - overlooking one "except for" might cause you to choose a wrong answer and end up with a failing grade. Read each question carefully!

LOOK OUT FOR THE NEGATIVES

6

A blank answer is a wrong answer. Even if you have no idea what the correct answer is, guess. If you leave it blank, it is wrong. If you guess, you have a 25% chance of getting it correct.

ANSWER EVERY QUESTION

7

Although it may sound like common sense, you'd be surprised how many people don't take it seriously. Being tired or stressed will DEFINITELY affect your test results!

BE RESTED

8

Although you'll be tested on mortgage-loan-origination activities (35%), general mortgage knowledge (23%) and ethics (16%), uniform state test (13%), a lot of questions will involve federal mortgage related laws (23%).

So it's essential that you know the regulations. Several regulations are described by letters - e.g. RESPA is Regulation X, the Equal Credit Opportunity Act is Regulation B, the Truth in Lending Act (TILA) is Regulation Z, etc. Know your regulations as well as which one is associated with which letter.

You might see a question such as, "According to Regulation Z, which of the following is prohibited?" So obviously, it's helpful to know that Regulation Z is TILA.

KNOW YOUR REGULATIONS

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CHOOSE THE BEST POSSIBLE ANSWER

You may sometimes see an answer with two correct answers.

What do you do if you find yourself staring at multiple correct answers? The answer is pretty simple. One has to be better than the others - one is more complete than the others. Follow your instincts and select the one they point you to.

10

SIMPLIFY

If there's too much information, simplify. One clever way the exam tests originators is by presenting questions jam-packed with unnecessary information. This is especially true of the math questions. If you're overwhelmed by tons of information in one particular question, stop, breath, and focus on each answer. Rule them out one-by-one until you find the one that applies.

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USE THE PROCESS OF ELIMINATION

Even if you have no idea what the correct answer is, ruling out one or two greatly improves the odds that your guess will be correct.

12

STUDY!!

Whether you've worked in the mortgage industry for one month or for 25 years and one month, if you want to pass the NMLS exam, you must study. You may be a seasoned professional, but that doesn't mean that you know that TILA is Regulation Z or ECOA is Regulation B or that TILA records must be maintained, etc.

My point is that the test covers more than just your origination experience. You might know how to calculate LTV, combined LTV (CLTV) and Total LTV (TLTV), but you must also know what an air loan is, as well as the four components of an ARM, etc.

C O N C L U S I O N

The good news is that you'll earn your grade before you leave the exam room, and it will hopefully be 75% or higher. The bad news is that if you fail, you're not advised of your incorrect answers.

The reason most people fail the NMLS exam is that they don't study, pay little attention in their pre-licensing class, and panic when they don't understand a question or read the questions too fast.

This test is extremely important to your career, so prepare for it seriously. By adhering to these 12 suggestions, you're bound to be smiling when you leave the testing center!



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