SAFE MLO Test Development, Maintenance and Performance Overview – The SAFE Act requires the NMLS (Nationwide Mortgage Licensing System & Registry) to develop and administer a test for state-licensed mortgage loan originators (MLOs). Below is a description of the process used to develop and maintain the SAFE MLO Test, the procedures for MLOs who would like to challenge the content of the test questions, the NMLS policies when a SAFE MLO Test contains an error, and the pass rates for the SAFE MLO Test components.

The SAFE Act - On July 30, 2008, The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) was enacted. It established requirements for the licensing and registration of all MLOs. The SAFE Act (Section 1505 (d)), requires the NMLS to develop a qualified written test to measure the applicants' knowledge and comprehension in appropriate mortgage subject areas, including ethics, federal law, state law, and laws and regulations covering fraud, consumer protection, fair lending and the nontraditional mortgage marketplace.

Design and Development – In January 2009, SRR selected a national firm to provide test development, maintenance and administration services as required by the SAFE Act.

To meet the SAFE Act test requirements, which include both federal and state content, the SAFE MLO Test was initially designed to include two parts—a National Component and a Unique State Component. Applicants wishing to meet the testing requirement for any given state were required to pass the National Component and the respective State Component. However, in response to the industry regulatory burden concerns associated with individual state components, SRR developed a Uniform State Content, which allows candidates to satisfy the state testing requirements for multiple states by passing a single test.

The National Test Component with Uniform State Content - The SAFE MLO Test was constructed using input from the National Mortgage Review Committee (NMRC). This committee consisted of over 90 subject matter experts from 34 states including representatives from both the mortgage industry and state mortgage regulators. Each person was selected based on his or her expertise in the residential mortgage loan industry. Working with a test content developer, NMRC developed and approved the National Content Outline. Using the Content Outline as the basis or blueprint for developing the test questions, the NMRC went on to review and approve each question on the National Component of the SAFE MLO Test. The National Component was made available for testing on July 30, 2009.

In 2012, the Uniform State Content was developed by the NMRC as an additional section of the National Test Component. Launched on April 1, 2013, the test covers high-level state content that is not state-specific, but tests candidates on the SAFE Act and CSBS/ARRMR Model State Law.   Candidates that pass the National with Uniform State Content satisfy the testing requirements for any state that adopts it. From April 1, 2013 to March 31, 2014, the Stand-alone UST was made available for enrollment for anyone who previously passed the National Test Component.

State Test Components - The NMRC also assisted in the development of a common template for the Unique State Component Content Outlines. The result was a template content outline that each state would use as a basis for its test component but could also customize to suit each state's specific needs.

Each Unique State Component was also developed with the cooperation of a committee of subject matter experts from the respective states. The committees included both industry professionals and regulators. Committee members, who were selected based on their knowledge of state laws and MLO practices, were approved by NMLS.

These committees utilized the common template for the state content outline and customized it for a state's particular rules and regulations. Each state committee also reviewed and unanimously approved each test question. The first eleven (11) state test components were available for MLO testing on July 30, 2009.

Test Features - The National Test with Uniform State Content consists of 125 questions – 115 scored and 10 unscored (pretest), while the Unique State Test Components have 45 – 55 scored and 10 unscored questions. The Stand-alone UST consists of 25 scored questions.

The process of constructing each test question included ensuring that there is one, and only one, correct answer for each question. Each test component consists exclusively of 4-part multiple choice questions. Each of the four possible answers in each question is designed to be plausible, but only one of them is correct. Each question is reviewed by the entire committee and the committee must unanimously approve the question in order for it to be considered for inclusion in the test component. Also, the committee ensures that each test question has an appropriate reference.

Each test component may include up to 10 unscored or pretest questions. These questions are pre-determined and do not affect a candidate's score in any way. The candidate does not know which items are unscored and the candidate's performance on these items is not factored into the candidate's test score or results. The pretest items are incorporated into the test maintenance process which is described later.

Job Analysis Study - In 2009, SRR conducted a job analysis study to review and confirm the content outlines for the National and Unique State Components of the SAFE MLO Test. Job analysis studies are conducted to ensure that licensure tests reflect the current industry practices, relevant job functions, and laws and regulations of the field in question. The job analysis study was performed in two phases:

- Phase I encompassed a large national electronic survey to validate topics covered in National and Common State Test content outlines.
- Phase II built upon the information gathered from Phase I and delved deeper into the content covered in each content outline topic.

The testing industry standard is that a job analysis study be conducted every four to six years, depending on the professional. Therefore, SRR will be conducting another job analysis study by 2015.

Test Maintenance – Once a test component is developed and published, its performance is constantly monitored and is regularly maintained. A team of test developers and psychometricians regularly review the components to make sure they are accurate and performing appropriately.

SRR utilizes several sources to assess the accuracy and validity of the test components. SRR, its vendors and the state agencies are regularly reviewing federal and state laws and regulations to determine if the questions on the test components are accurate and up-to-date.

In addition, each test component will undergo a formal maintenance process that involves reconvening the committees of subject matter experts to examine all test questions and their performance.

Challenging a Test Question – Candidates may submit a challenge to a test question through the process outlined in Section 9.5 Test Content Comments and Challenges in the MLO Testing Handbook. All challenges must be submitted in writing within 20 days of the test session. All specific test question challenges are thoroughly researched, and all complaints are responded to in a timely fashion in writing.

Policies Related to Test Errors – In instances where a test component was found to have an incorrect question, SRR works directly with each affected candidate to correct his or her test results and resolve any related testing issues.

Pass Rates – SRR regularly measures the pass rate performance of candidates taking all the SAFE MLO Test Components. On a regular basis, usually monthly, SRR publishes up-to-date pass rate information.

For recent information on test pass rates, please refer to the Testing page of the NMLS Resource Center.