4.9: Odds

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On average, what fraction of people with an odds of 0.37 of defaulting on their credit card payment will actually default?

Using equation (4.3) for the odds and rerwiting the equation as (4.2), we get

$p/(1+p) = .37$

$p = .37/(1+.37)$

$p = \frac{.37}{1.37}$

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.37/1.37
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## [1] 0.270073
```

p=0.27. So on average, 27% of people with an odds of .37 of defaulting will actually default.

Suppose that an individual has a 16% chance of defaulting on her credit card payment. What are the odds that she will default?

Using equation (4.3) once more,

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.16/(1-.16)
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## [1] 0.1904762
```

So a person with 16% chance of defaulting has an odds of defaulting of 0.19.