Problem 9.

Tuesday, June 11, 2024 6:06 PM

a) $.37 = \frac{p(x)}{1-p(x)}$

$.37 - .37p(x) = p(x)$

$.37 = p(x) + .37p(x)$

$.37 = 1.37p(x)$

$\frac{.37}{1.37} = p(x)$

$.27 = p(x)$

1 out of 3.7 people will default.

b) $\frac{(.16)}{1-(.16)} = .19 = \text{odds}$