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Scandinavian Actuarial Journal > Volume 2016, 2016 - Issue 4

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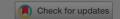
Articles

## On the valuation of reverse mortgage insurance

Chou-Wen Wang, Hong-Chih Huang & Yung-Tsung Lee

Pages 293-318 | Accepted 15 May 2014, Published online: 04 Jul 2014

**66** Cite this article https://doi.org/10.1080/03461238.2014.925967



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(LTV) ratio Reject All ous Show Purpose and price it st rate and g price iffusion ısted atio is en when dition, the e, especially

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adjusted periodically according to the LIBOR rate, our finding reveals that the LTV ratio is insensitive to the parameters characterizing the CIR model.

Q Keyword: reverse mortgage option pricing jump diffusion process exponential Lévy process

## Notes

<sup>1</sup> For more detail, please refer to 'RMs-Report to Congress' published by the Consumer Financial Protection Bureau on 28 June 2012.

<sup>2</sup> In FHA's (Federal Housing Administration) HECM program, borrower can choose an adjustable interest rate or a fixed-rate RM. If one chooses an adjustable interest rate, one may choose to have the interest rate adjust monthly or annually. Lenders may not adjust annually adjusted HECMs by more than two percentage points per year and not by more than five total percentage points over the life of the loan. FHA does not require interest rate caps on monthly adjusted HECMs. (For more details, please refer to <a href="http://portal.hud.gov/hudportal/HUD?">http://portal.hud.gov/hudportal/HUD?</a>

src=/program\_offices/housing/sfh/hecm/hecmabou).

3 In this study the valuation date is to We use 0 instead of to without X <sup>4</sup> See <u>ht</u> <sup>5</sup> Denuit ar-old individu enuit et al. (2007) to ce the xogenously predict and 6 V(0) ar nce premiun <sup>7</sup> Each s tion (dt) is one mor

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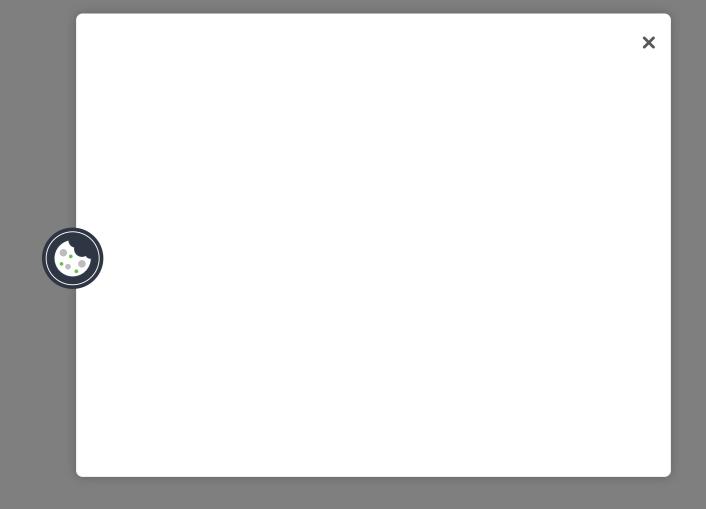
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