WEALTHCARE FINANCIALS

Healthcare Lending Pulse: Income Protection and Your Medical Borrowers

A Quarterly Perspective for Healthcare Lenders

When you extend credit to a physician or dentist, you are underwriting more than an asset — you are underwriting an income stream. That income stream is the borrower's professional earning capacity, and it is more vulnerable than many lending conversations acknowledge.

The Risk Hiding in Plain Sight

According to the Social Security Administration, a working person faces roughly a 1-in-4 chance of experiencing a disability before retirement. For your medical borrowers, a prolonged disability does not merely disrupt household finances — it can interrupt practice operations, delay loan repayment, and put collateral assumptions under stress.

Yet data from the 14th Annual Guardian Workplace Benefits Study (2025) shows that only 43% of working Americans owned disability insurance that year. Even among high-income professionals, coverage gaps are common. That gap represents a concentration of unmitigated income risk sitting inside many healthcare loan portfolios.

Why This Quarter Deserves a Closer Look

The One Big Beautiful Bill Act — signed into law on July 4, 2025 — brings meaningful changes to graduate medical education financing starting July 1, 2026. Among the provisions: annual federal graduate loan borrowing for medical and dental school is capped at $50,000, with a $200,000 lifetime limit, and Grad PLUS loans are eliminated for new borrowers.

If those changes take effect, the debt structures underlying future physician and dentist borrowers will look different from those you have evaluated in recent years. Borrowers may carry a different mix of federal and private debt, and the cushion that larger federal loan disbursements once provided may no longer exist. Income continuity — and the insurance that protects it — becomes a more prominent factor in creditworthiness analysis.

What Lenders Can Do With This Information

Disability income insurance is not a product your institution sells, but it is a protective layer that can support the borrower's ability to service debt through an adverse health event. When evaluating or renewing credit facilities for physician and dental clients, a few qualitative questions are worth adding to your process:

- Does the borrower have individual disability coverage in force, separate from any employer-

- Is that coverage structured on an own-occupation basis, which is particularly relevant for specialists whose income depends on performing specific procedures?
- Has the borrower reviewed coverage limits relative to current gross income and outstanding debt obligations?

These questions do not require your team to advise on insurance products. They simply surface a risk variable that can influence repayment capacity in ways a balance sheet snapshot may not capture.

A Resource for Your Clients

Wealthcare Financials works with physicians and dentists across career stages — from residency through established practice — to evaluate individual disability coverage options. Founded in 2019 and operating as an agency of The Guardian Life Insurance Company of America, Wealthcare Financials maintains relationships with more than 40 carrier partners, giving clients access to a range of coverage structures rather than a single-carrier solution.

If you have medical or dental borrowers who would benefit from a focused conversation about income protection, a referral to a specialist familiar with their profession can be a straightforward way to strengthen the overall credit picture. Feel free to reach out to discuss how that kind of collaboration might work for your team.

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