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The 25 Riskiest Franchises for Lenders

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The riskiest franchises in the U.S. have failure rates near 50 percent, according to this list from the SBA. This list is a useful reference for both lenders and potential franchisees. Read more on this topic in this article from [Blue MauMau](#).

Sub sandwich shops, auto care centers and quick printers dominate the list of worst franchises to buy, according to a Small Business Administration list given to lenders.

Blue MauMau once again gained access to this banking list and is publishing it to help inform franchise investment decisions. Taken straight from an SBA's loan performance list covering the years from 2000 to 2007, this is the list that the agency provides loan officers of its most trusted lenders and banks throughout the country.

This is how the list is used. It is a quick filter of loan risk, of what franchise brands to navigate around and what looks less risky. For example, with a 48 percent failure rate on SBA loans, Mr. Goodcents Sub has the dubious honor of being at the top of worst investments. Compare the 48 percent to another sub chain, Subway's, which had only 4 percent failures out of 1,974 disbursed loans.

The good news for Quiznos is that it didn't make the worst 25 list. However, it was #26, worthy of a dishonorable mention. Blimpie, a sub maker that belongs to Kahala Corp's group of franchising firms, ranked considerably worse at #5.

The loan officer and the franchise buyer realize that there are thousands of franchise opportunities to buy from, so why mess with the riskiest? Unless there is a miraculous reason why concepts with high failure rates are a great investment, the franchise buyer may want to move to other brands with lower failure rates.

Each franchise brand listed has Small Business Association loans with at least 51 disbursements, a substantial number. Having larger figures for the disbursement of loans filters out most of the small franchise systems. What is left is largely major franchise brands with the worst failure rates of nearly 115 big brand concepts.

These are the worst franchise brands, where franchise owners struggled more than others to pay back their SBA loans. To put it another way, this group is the lowest performing quintile (20 percent) by loan failure rate of major franchise brands in the SBA list.

So here it is: **The list of 25 of the worst franchise investments, ranked from worst to bad**, from the viewpoint of being a lender of SBA loans and wanting to ensure the best chance of having the loan repaid by franchisee borrowers.

Franchise Brand	Failure Rate	Disburse #	Disburse \$	ChgOff
1. Mr. Goodcents' Subs & Pastas	48%	52	\$6,395	13%
2. All Tune and Lube	48%	77	\$8,523	14%
3. Philly Connection	48%	63	\$7,755	20%
4. Cottman Transmission	46%	163	\$20,582	14%
5. Blimpie	37%	153	\$26,208	13%
6. Cornwell Quality Tool Company	36%	53	\$3,217	9%
7. Golf Etc.	36%	67	\$9,362	12%
8. Kabloom	31%	52	\$7,455	7%
9. Matco Tools	30%	316	\$29,630	9%
10. Atlanta Bread Company	30%	61	\$32,979	9%
11. Carvel Ice Cream	26%	76	\$16,757	2%
12. TCBY	23%	52	\$6,675	9%

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13. Fast Frame	22%	68	\$7,050	8%
14. Gymboree	22%	51	\$6,427	7%
15. Beef O'Brady's	21%	81	\$26,924	2%
16. Meineke Discount Muffler	21%	184	\$49,512	3%
17. Minuteman Press	20%	168	\$24,935	5%
18. Alphagraphics	18%	72	\$23,127	6%
19. Taco Del Mar	18%	62	\$8,935	6%
20. Postnet	17%	92	\$9,893	4%
21. Marble Slab Creamery	17%	144	\$30,585	3%
22. Fox's Pizza Den	17%	76	\$5,411	3%
23. Sir Speedy Printing Center	16%	51	\$15,465	3%
24. Petland	15%	85	\$40,054	5%
25. Play It Again Sports	15%	53	\$8,268	3%
26. (Dishonorable Mention) Quiznos	14%	1,802	\$266,732	3%

Explanation: This is ONLY a list of franchises that have received SBA loans. It does not account for conventional, non-SBA loans. Banks aren't about to release their conventional loan statistics anytime soon. The Small Business Administration notes that the failure rate equals the number of liquidation plus number charged off divided by total number disbursed. The disbursement dollars are for the total amount of loans disbursed x \$1,000. Franchise networks that have received less than 10 disbursements (small business loans) have been taken out to leave a list of some 460+ franchise systems from 2000 to 2007.

It's not our intent to just ding. *Blue MauMau* will shortly release the best franchises to buy—this time strictly sorted by major franchise brands with the lowest failure rate list from the SBA.

This article has been reposted from Blue MauMau. View the article on [Blue MauMau's small business and franchise news website here](#).

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