

CONSUMER PORTFOLIO SERVICES INC

Form 11-K

June 30, 2008

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 11-K

(Mark One)

Annual Report pursuant to Section 15(d)  
of the Securities Exchange of 1934

For the fiscal year ended December 31, 2007

OR

Transition Report pursuant to Section 15(d) of the Securities  
Exchange Act of 1934 [No Fee Required]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-11416

A. Full title of the plan and the address of the plan, if different  
from that of the issuer named below:

Consumer Portfolio Services, Inc. 401(k) Plan

B. Name of issuer of the securities held pursuant to the  
plan and the address of its principal executive office:

Consumer Portfolio Services, Inc.  
16355 Laguna Canyon Road  
Irvine, CA 92618

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REQUIRED INFORMATION

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I. Financial Statements.

Financial statements and schedule prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, together with the report of independent registered public accounting firm thereon, are filed herewith.

II. Exhibits:

Consent of Independent Registered Public Accounting Firm is filed herewith as Exhibit 23.1.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized.

Consumer Portfolio Services, Inc. 401(k)Plan

Date:

By: /s/ Jeffrey P. Fritz

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Jeffrey P. Fritz  
Member, Administrative  
Committee

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Financial Statements and Supplemental Schedule

December 31, 2007 and 2006

(With Report of Independent Registered Public Accounting Firm Thereon)

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Report of Independent Registered Public Accounting Firm

## Edgar Filing: CONSUMER PORTFOLIO SERVICES INC - Form 11-K

Statements of Net Assets Available for Benefits - December 31, 2007 and 2006

Statements of Changes in Net Assets Available for Benefits - Years ended  
December 31, 2007 and 2006

Notes to Financial Statements

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) - December 31, 2007

All schedules omitted are not applicable or are not required based on disclosure requirements of the Employee Retirement Income Security Act of 1974 and regulations issued by the Department of Labor.

### Report of Independent Registered Public Accounting Firm

The Participants and Administrative Committee  
Consumer Portfolio Services, Inc. 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Consumer Portfolio Services, Inc. 401(k) Plan (the "Plan") as of December 31, 2007 and 2006 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006 and the changes in net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, schedule H,

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line 4i - schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ HASKELL & WHITE LLP

June 30, 2008  
Irvine, California

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN  
Statement of Net Assets Available for Benefits  
December 31, 2007 and 2006

	2007	2006
	-----	-----
Investments, at fair value:		
Interest bearing cash	\$ --	\$ --
Guaranteed interest account	2,184,393	2,184,393
Pooled separate accounts	10,534,875	9,980,000
Consumer Portfolio Services, Inc. common stock	1,493,453	2,184,393
Participant loans	670,428	670,428
	-----	-----
Net assets available for plan benefits at fair value	14,883,149	14,883,149
Adjustments from fair value to contract value for fully benefit-responsive investment	97,791	97,791
	-----	-----
Net assets available for benefits	\$ 14,980,940	\$ 14,980,940
	=====	=====

See accompanying notes to financial statements

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CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN  
 Statements of Changes in Net Assets Available for Benefits  
 Years ended December 31, 2007 and 2006

	2007
	-----
Additions (reduction) to net assets attributed to:	
Interest	\$ 119,369
Net (depreciation) appreciation in fair value of investments	(625,010)
	-----
	(505,641)
Investment expenses	(112,333)
	-----
Net investment increase	(617,974)
Contributions:	
Employees	1,455,555
Employer	711,782
Employees' individual rollover	139,183
	-----
Total additions	2,306,520
Deductions from net assets attributed to:	
Benefits paid to participants	1,541,625
	-----
Net increase	146,921
Net assets available for benefits:	
Beginning of year	14,834,019
	-----
End of year	\$ 14,980,940
	=====

See accompanying notes to financial statements

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CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements

December 31, 2007 and 2006

(1) DESCRIPTION OF THE PLAN

The following description of the Consumer Portfolio Services, Inc. (the Plan Sponsor or CPS) 401(k) Plan (The Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

(A) GENERAL

The Plan was established as a profit sharing plan with a cash or deferred arrangement on January 1, 1994. The Plan was restated as of January 1, 1996 to permit investment in the Plan Sponsor's common stock without regard to Section 407(a) of ERISA. Effective January 1, 2003 the Plan Sponsor adopted the Mass Mutual Life Insurance Company Flexinvest(R) Prototype Non-Standardized 401(k)

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Profit Sharing Plan.

The Plan is a defined contribution plan which provides retirement benefits for eligible employees of the Plan Sponsor. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### (B) ADMINISTRATION OF THE PLAN

The Plan is administered by the Human Resources Department (the Plan Administrator) of the Plan Sponsor. The Plan Administrator consults with the benefits administrative committee and other key management of the Plan Sponsor when managing the operations and the administration of the Plan.

The Plan is operated under an agreement which requires that Mass Mutual Retirement Savings (Mass Mutual), as custodian and recordkeeper, holds and distributes the funds of the Plan in accordance with the text of the Plan and the instructions of the Plan Administrator or its designees.

### (C) CONTRIBUTIONS

Employees are eligible to participate in the Plan after completing 90 days of service. In accordance with the Plan, participants may contribute up to 50% of their annual compensation. Contributions are subject to certain limitations as defined in the Plan as well as a maximum of \$15,500 and \$15,000 for the years ended December 31, 2007 and 2006, respectively, under the Internal Revenue Code of 1986. Participants may roll over into the Plan amounts representing distributions from other qualified plans.

The Plan Sponsor may make a discretionary matching contribution equal to a discretionary amount of the participant's pretax contributions up to a maximum of \$1,500. Total discretionary matching contributions were \$711,782 and \$516,576 for the years ended December 31, 2007 and 2006, respectively.

### (D) PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions, allocations of the Plan Sponsor's matching contributions and investment earnings and charged with an allocation of

CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements (continued)

December 31, 2007 and 2006

### (1) DESCRIPTION OF THE PLAN (CONTINUED)

expenses and investment losses. Allocations are based on

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participant earnings or account balances, as defined.

### (E) VESTING

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Plan Sponsor's matching contributions plus actual earnings thereon is based on years of continuous service. A participant vests at the rate of 20% after two years of credited service and 20% each year thereafter until 100% is reached after six years of credited service. Participants are also fully vested at death, retirement, and upon termination for disability.

### (F) INVESTMENT OPTIONS

The Plan offers various investment options which are managed by several outside investment managers. Upon enrollment in the Plan, participants may direct their contributions in any of the investment options offered at the time. Participants may change their investment options daily. Participants should refer to the investment literature provided by the Plan sponsor for a complete description of the investment options and for the detailed composition of each investment fund.

### (G) PARTICIPANTS LOANS

Participants may borrow from their fund accounts. Loan transactions are treated as a transfer to (from) the investment funds. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Plan Administrator. Loans are limited to the lesser of \$50,000, reduced by the highest outstanding loan balance during the preceding 12 months, or 50% of the participant's vested account balance. A loan shall be repaid within five years, unless it is used for the purchase of a primary residence. Principal and interest are paid ratably through payroll deductions.

Participant loans are included in the statements of net assets available for plan benefits at their outstanding balances, which approximate fair value of the notes. The notes are payable through payroll deductions in installments of principal plus interest at rates between 5.00% and 9.25%, with final payments due between January 2008 and November 2022. The loans are secured by the participants' vested account balances.

### (H) PAYMENTS OF BENEFITS

Upon termination of service, a participant may elect to receive either a single lump sum payment in cash equal to the value of the vested interest in his or her account, or a series of substantially equal annual or more frequent installments over a period not to exceed the participant's life expectancy. Benefits are recorded when paid.

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Notes to Financial Statements (continued)

December 31, 2007 and 2006

(1) DESCRIPTION OF THE PLAN (CONTINUED)

(I) FORFEITED ACCOUNTS

Through December 31, 2002 forfeitures were applied to reduce any employer contribution. Effective January 1, 2003, forfeitures attributable to matching contributions will be applied first to reduce expenses related to the administration of the Plan and then to reduce any employer contributions. As of December 31, 2007 and 2006, forfeited accounts totaled \$542,929 and \$427,507 respectively, and have not been used for Plan expenses as directed by the Plan Agreement.

(J) PLAN TERMINATION

Although it has not expressed any intent to do so, the Plan Sponsor has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

(2) SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

The financial statements of the Plan have been prepared on the accrual basis of accounting.

(B) INVESTMENTS

Publicly traded securities are carried at fair value based on the published market quotations. Shares of pooled separate accounts are valued at the net fair value of the underlying assets at year-end. Participant loans are valued at their outstanding balances, which approximates fair value. Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

Realized gains and losses on investments are based on the market value of the asset at the beginning of the year or at the time of purchase for assets purchased during the year and the related fair value on the day the investments are sold during the year.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the "FSP")," investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net



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assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transaction under the terms of the plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from a fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis. This FSP was adopted by the Plan for the year ended December 31, 2006 as required by the FSP.

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CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements (continued)

December 31, 2007 and 2006

(2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) ADMINISTRATIVE EXPENSES

The Plan and the plan sponsor share in plan expenses. Certain direct investment expenses, such as record keeping fees, brokerage fees, loan, withdrawal or distribution processing fees are deducted from participants' accounts.

(D) USE OF ESTIMATES

The Plan Administrator has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, actual results may differ from those estimates.

(E) CONCENTRATION

Investments in the common stock of Consumer Portfolio Services, Inc. comprise approximately 10% and 19% of the Plan's investments as of December 31, 2007 and 2006, respectively.

(3) INVESTMENTS

The following presents the fair value of investments that represent 5% or more of the Plan's net assets:

	2007	2006
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Investment:

MM Guaranteed Interest Account	\$ 2,282,184	\$ 2,119,233
MM Indexed Equity	1,431,473	1,548,207
Main Street (Oppenheimer)	1,143,976	1,154,611
MM Aggressive Growth (Sands Cap)	1,199,500	799,217
SIA-OC	909,501	--
SIA-WR	882,924	507,238
SIA - AK	837,325	789,913
MM Moderate Journey	808,688	751,040
CPS Common Stock	1,493,453	2,811,684
Other investments individually less than 5%	3,991,916	4,352,876
	-----	-----
	\$14,980,940	\$14,834,019
	=====	=====

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### CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

#### Notes to Financial Statements (continued)

December 31, 2007 and 2006

(3) INVESTMENTS (CONTINUED)

During 2007 and 2006, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by investment type, as follows:

	2007	2006
	-----	-----
Investment appreciation (depreciation):		
Pooled separate accounts	\$ 709,184	\$ 1,043,697
Common stocks	(1,334,194)	155,123
	-----	-----
	\$ (625,010)	\$ 1,198,820
	=====	=====

(4) RISKS AND UNCERTAINTIES

The Plan provides for various investment options in money market funds, pooled separate accounts, guaranteed interest accounts and the common stock of Consumer Portfolio Services, Inc. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of uncertainty related to changes in value of investment securities, it is at least reasonably possible that changes in the various risk factors could materially affect participants' account balances and the amounts reported in the financial statements.

(5) TAX STATUS

The Internal Revenue Service has determined and informed the Plan Sponsor by a letter dated February 7, 1996 that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue

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Code (IRC) and is, therefore, exempt from Federal income taxes. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Accordingly, no provision for income taxes is included in the accompanying financial statements.

(6) RELATED-PARTY TRANSACTION

Certain Plan investments are managed by MassMutual Retirements Services. MassMutual Retirement Services is the custodian of these assets and provides record keeping services to the Plan and, therefore, these transactions qualify as permitted party-in-interest transactions.

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### CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN

Notes to Financial Statements (continued)

December 31, 2007 and 2006

(7) RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND FORM 5500

The following is a reconciliation of the Plan's investment in guaranteed interest account per the financial statements and the Form 5500:

	2007	2006
	-----	-----
Investment in guaranteed interest account		
per the financial statements	\$2,184,393	\$2,036,223
Adjustment from fair value to contract value		
for fully benefit-responsive investment contracts	97,791	83,010
	-----	-----
Investment in guaranteed interest account per the Form 5500	\$2,282,184	\$2,119,233
	=====	=====

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CONSUMER PORTFOLIO SERVICES, INC. 401(K) PLAN  
 Schedule H, Line 4i - Schedule of Assets (Held at End of Year) - December 31,  
 Plan # 001 - EIN # 32-0021607

(A)	(B) IDENTITY OF ISSUER, BORROWER, LESSOR OR SIMILAR PARTY	(C) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE	(D) COST
*	Mass Mutual	Guaranteed Interest Account 3.25% - 4.25%	2,282,184
*	Mass Mutual	SIA-AX	1,022,544
*	Mass Mutual	SIA-AD	947,325
*	Mass Mutual	SIA-O5	855,759
*	Mass Mutual	SIA-OC	909,787
*	Mass Mutual	SIA-WR	658,620
*	Mass Mutual	SIA-AK	606,181
*	Mass Mutual	SIA-DM	671,836
*	Mass Mutual	SIA-OD	392,272
*	Mass Mutual	SIA-DA	455,648
*	Mass Mutual	SIA-LB	397,262
*	Mass Mutual	SIA-WZ	349,345
*	Mass Mutual	SIA-WT	194,063
*	Mass Mutual	SIA-O9	189,445
*	Mass Mutual	SIA-DC	167,829
*	Mass Mutual	SIA-Y	147,039
*	Mass Mutual	SIA-DE	136,913
*	Mass Mutual	SIA-NM	130,979
*	Mass Mutual	SIA-VB	124,588
*	Mass Mutual	SIA-WY	105,140
*	Mass Mutual	SIA-NS	50,597
*	Mass Mutual	SIA-AG	0
	Participant Loans	5.00%-9.25%	0
	Consumer Portfolio	CPS Common Stock	1,999,149

Services

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\* Denotes party in interest