

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

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

Commission file number 0-20608  
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CONSUMER PORTFOLIO SERVICES, INC.

-----  
(Name of small business issuer in its charter)

California

33-0459135

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer  
Identification No.)

2 Ada, Irvine, California

92618

-----  
(Address of principal  
executive offices)

-----  
(Zip Code)

Issuer's telephone number: (714) 753-6800

Former name, former address and former fiscal year, if changed since last  
report: N/A

Check whether the issuer (1) filed all reports required to be filed by Section  
13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter  
period that the registrant was required to file such reports) and (2) has been  
subject to such filing requirements for the past 90 days. Yes X No  
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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by court. Yes No  
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APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common  
equity, as of the latest practicable date: As of November 13, 1996, the  
registrant had 13,647,842 common shares outstanding.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES  
FORM 10-QSB SEPTEMBER 30, 1996

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, ----- 1996 -----	December 31, ----- 1995 -----
<b>ASSETS</b>		
Cash	\$ 145,109	\$ 10,895,157
Contracts held for sale (note 3)	17,772,503	19,548,842
Servicing fees receivable	2,732,971	1,454,707
Investment in subordinated certificates (note 2)	--	2,174,666
Investments in credit enhancements (note 2)	46,525,564	30,477,793
Excess servicing receivables	19,110,958	11,108,251
Furniture and equipment, net	630,520	548,535
Deferred financing costs	982,524	1,100,430
Other assets	5,528,007	569,944
	-----	-----
	\$ 93,428,156	\$ 77,878,325
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable & accrued expenses	\$ 4,526,558	\$ 1,341,905
Warehouse line of credit	9,838,856	7,500,000
Taxes payable	2,091,084	2,912,084
Deferred tax liability	1,643,254	1,643,254
Notes payable	20,000,000	20,000,000
Convertible subordinated debt	3,000,000	3,000,000
	-----	-----
	41,099,752	36,397,243
<b>Shareholders' Equity</b>		
Preferred stock, \$1 par value; authorized 5,000,000 shares; none issued	--	--
Series A preferred stock, \$1 par value; authorized 5,000,000 shares; 3,415,000 shares issued; none outstanding	--	--
Common stock, no par value; authorized 30,000,000 shares; 13,556,842 and 13,298,642 shares issued and outstanding at September 30, 1996 and December 31, 1995, respectively	33,955,739	33,265,239
Retained earnings	18,372,665	8,215,843
	-----	-----
	52,328,404	41,481,082
	-----	-----
	\$ 93,428,156	\$ 77,878,325
	=====	=====

See accompanying notes to condensed financial statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<b>Revenues:</b>				
Net gain on sale of contracts	\$ 5,784,375	\$ 3,311,996	\$ 15,864,442	\$ 9,941,674
Servicing fees (note 4)	5,290,961	2,842,399	12,939,146	7,105,684
Interest	2,683,190	1,697,796	7,347,704	5,384,990
	-----	-----	-----	-----
	13,758,526	7,852,191	36,151,292	22,432,348
<b>Expenses:</b>				
Interest	1,597,213	808,036	4,309,859	2,835,237
Employee costs	2,363,903	1,160,601	6,121,280	3,087,263
General and administrative	1,772,486	805,140	4,948,144	2,607,669
Marketing	500,383	346,284	1,117,051	708,097
Occupancy	138,676	69,627	542,009	271,411
Related party consulting fees	18,750	87,500	56,250	262,500
Depreciation and amortization	67,472	60,390	207,527	143,898
Provision for credit losses	848,346	338,950	1,779,330	888,631
	-----	-----	-----	-----
	7,307,229	3,676,950	19,081,450	10,804,706
Income before income taxes	6,451,297	4,175,663	17,069,842	11,627,642
Income taxes	2,617,000	1,643,018	6,913,020	4,733,542
Net income	\$ 3,834,297	\$ 2,532,645	\$ 10,156,822	\$ 6,894,100
	=====	=====	=====	=====
Net income per common and common equivalent share	\$ 0.26	\$ 0.18	\$ 0.69	\$ 0.54
	=====	=====	=====	=====
Weighted average number of common and common equivalent shares	14,828,719	13,915,172	14,746,930	12,837,934
	=====	=====	=====	=====
Fully diluted net income per common and common equivalent share	\$ 0.25	\$ 0.17	\$ 0.67	\$ 0.49
	=====	=====	=====	=====
Fully diluted weighted average number of common and common equivalent shares	15,520,106	14,917,746	15,452,640	14,001,510
	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	----- 1996 -----	1995 -----
Cash flows from operating activities:		
Net income	\$ 10,156,822	\$ 6,894,100
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	207,527	143,898
Amortization of excess servicing receivables	4,401,858	1,617,628
Amortization of deferred financing costs	117,906	--
Provision for credit losses	1,779,330	888,631
Gain on sale of contracts from excess servicing receivables	(12,404,565)	(6,198,271)
Loss on investment in NAB Asset Corporation	124,000	--
Changes in operating assets and liabilities:		
Purchases of contracts held for sale	(254,322,070)	(114,803,980)
Liquidation of contracts held for sale	254,319,079	117,891,066
Servicing fees receivable	(1,278,264)	(1,099,273)
Prepaid related party expenses	--	(30,834)
Initial deposits to credit enhancement accounts	(9,020,145)	(7,262,503)
Excess servicing deposited to credit enhancement accounts	(13,274,535)	(6,721,998)
Release of cash from credit enhancement accounts	6,246,909	8,087,419
Deferred taxes	--	(381,616)
Other assets	(1,082,063)	304,931
Accounts payable and accrued expenses	3,184,653	288,795
Warehouse line of credit	2,338,856	(15,416,779)
Taxes payable	(821,000)	329,681
Deferred rent	--	(33,677)
	-----	-----
Net cash used in operating activities:	(9,325,702)	(15,502,782)
Cash flows from investing activities:		
Proceeds from sale of subordinated certificates	2,022,220	--
Investment in NAB Asset Corporation	(4,000,000)	--
Purchases of furniture and equipment	(289,512)	(381,616)
Payments received on subordinated certificates	152,446	118,764
	-----	-----
Net cash used in investing activities	(2,114,846)	(262,852)
Cash flows from financing activities:		
Issuance of note to related party	--	2,000,000
Repayment of notes payable	--	(5,000,000)
Issuance of common stock	--	13,304,550
Exercise of options and warrants	690,500	227,764
	-----	-----
Net cash provided by financing activities	690,500	10,532,314
	-----	-----
Decrease in cash	(10,750,048)	(5,233,320)
Cash at beginning of period	10,895,157	6,686,844
	-----	-----
Cash at end of period	\$ 145,109	\$ 1,453,524
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period		
Interest	\$ 3,766,359	\$ 2,568,007
Income taxes	\$ 6,679,000	\$ 4,844,050
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common stock upon conversion of debt	\$ --	\$ 2,000,000

See accompanying notes to condensed consolidated financial statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The Company is engaged in the business of purchasing, selling and servicing retail installment sales contracts ("Contracts") originated by automobile dealers ("Dealers") that sell both new and used automobiles, light trucks and passenger vans.

The unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are, in the opinion of management, of a normal recurring nature. Results for the three and nine month periods ended September 30, 1996 are not necessarily indicative of the operating results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 10-KSB report for the nine month transition period ended December 31, 1995.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Alton Receivables Corp. ("Alton"), CPS Receivables Corp. ("CPSRC") and CPS Funding Corp. ("CPSFC"). The consolidated financial statements also include the accounts of SAMCO Acceptance Corp. ("SAMCO") and LINC Acceptance Company, LLC ("LINC") both of which are 80% owned subsidiaries of the Company. All significant intercompany transactions and balances have been eliminated.

On June 5, 1996, the Company purchased 38% of the outstanding common stock of NAB Asset Corporation ("NAB") for approximately \$4 million. The investment in NAB is included in other assets and is accounted for by the Company under the equity method. All significant intercompany transactions and balances have been eliminated.

Included in other assets is a loan to a subsidiary of NAB. At September 30, 1996, the balance of the loan was approximately \$600,000.

Note 2: Investments in Credit Enhancements

The Company is a party to various agreements with institutional investors and investment banks for the sale of the Company's Contracts. The agreements call for the Company to sell Contracts to one of its special purpose corporation subsidiaries, either Alton or CPSRC (the "SPCs"), which subsequently transfer the Contracts to various grantor trusts (the "Trusts") which then issue interest bearing certificates which are purchased by institutional investors. The terms of the agreements provide that simultaneous with each purchase of certificates by the investor, the Company is required to provide a credit enhancement in the form of a cash capital contribution to the SPC equal to a specified percentage of the amount of the certificates purchased by the investor. The SPC then deposits the initial cash deposit, and subsequent excess servicing cash flows as required by the terms of the various agreements, to an account held by a trustee (the "Spread Account") and pledges the cash to the Trust, which in turn invests the cash in high quality liquid investment securities as defined by the various agreements. In the securitizations since June 1995, the Company altered the credit enhancement mechanism to create a subordinated class of asset-backed securities ("B Piece") in order to reduce the size of the required initial deposit to the Spread Account. The Company has sold five of six B Pieces created in conjunction with the sale of the related senior certificates. Unsold B Pieces are accounted for as available for sale and, when originated, are treated as non-cash investing activities. In the event that the cash flows generated by the Contracts transferred to the Trust are insufficient to pay obligations of the Trust, including principal or interest due to certificate holders or expenses of the Trust, the trustee will draw an amount necessary from the Spread Accounts to pay the

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

obligations of the Trust. The agreements provide that the Spread Accounts shall be maintained at a specified percent of the principal balance of the certificates, which are increased in cases where delinquencies, repossessions or losses exceed certain specified levels. In the event delinquencies, repossessions or losses on the Contracts serviced exceed specified higher levels defined in certain of the Company's securitization agreements, the terms of those securitizations may allow for the transfer of servicing to another servicer. As principal payments are made to the certificate holders, and if the Spread Accounts are in excess of the specified percent of the principal balance of the certificates, the trustee shall release to the SPC the portion of the pledged cash that is in excess of the specified percent of the principal balance of the certificates. Except for releases in this manner, the cash in the Spread Accounts is restricted from use by the SPC or the Company.

Note 3: Contracts Held for Sale

The Contracts which the Company purchases from dealers provide for finance charges of approximately 20% per annum, in most cases. Each Contract provides for full amortization, equal monthly payments and can be fully prepaid by the borrower at any time without penalty. The Company generally purchases the Contracts from dealers at a discount, ranging from zero to ten percent, from the amount financed under the Contract. In addition, the Company generally charges the Dealer a fee of \$200 per Contract purchased. Contracts are generally sold by the Company within three months of their purchase, although they may be held longer. Contracts held for sale are stated at the lower of aggregate cost or market value, net of related reserves. At September 30, 1996 and December 31, 1995, the balance of Contracts held for sale was made up of the following components:

	September 30, 1996 -----	December 31, 1995 -----
Gross receivable balance	\$ 23,351,660	\$ 24,694,964
Unearned finance charges	(4,327,496)	(3,820,267)
Dealer discounts	(956,968)	(1,054,776)
Deferred contract acquisition net costs	61,127	59,077
Reserves for losses	(355,820)	(330,156)
	-----	-----
Net contracts held for sale	\$ 17,772,503 =====	\$ 19,548,842 =====

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Servicing Fees

Servicing fees are reported as income when earned, net of related amortization of excess servicing. Servicing costs are charged to expense as incurred. Servicing fees for the three and nine month periods ended September 30, 1996 and 1995, included the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
Gross contract servicing fees	\$ 7,097,956	\$ 3,487,272	\$ 17,341,004	\$ 8,723,312
Amortization of excess servicing	(1,806,995)	(644,873)	(4,401,858)	(1,617,628)
Net servicing fees	\$ 5,290,961	\$ 2,842,399	\$ 12,939,146	\$ 7,105,684

CONSUMER PORTFOLIO SERVICES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Consumer Portfolio Services, Inc. (the "Company") and its subsidiaries engage primarily in the business of purchasing, selling and servicing retail automobile installment sale contracts ("Contracts") originated by Dealers located throughout the U.S. The Company specializes in Contracts with borrowers who generally would not be expected to qualify for traditional financing such as that provided by commercial banks or automobile manufacturers' captive finance companies.

The Company generates revenue, earnings and cash flow primarily through the purchase and subsequent securitization of Contracts. In each securitization, the Company sells a distinct portfolio of Contracts to a trust, which, in turn, sells interest bearing certificates backed by the Contracts to institutional investors. The terms of the securitization transactions generally provide for the Company to earn a base servicing fee computed as a percentage of the outstanding balance of the Contracts as compensation for its duties as servicer. In addition, the Company is entitled to certain excess servicing fees which represent collections on the Contracts in excess of the amounts necessary to pay certificate purchasers' principal and interest and the expenses of the trust, including, primarily, base servicing fees.

The Company also recognizes gains on its sales of Contracts. Gains are determined based upon the difference between the sale proceeds for the portion of Contracts sold and the Company's recorded investment in Contracts sold. The Company allocates the recorded investment in the Contracts between the portion of the Contracts sold and the portion retained based on the relative fair value of those portions on the date of sale. In addition, the Company recognizes gains attributable to its estimates of excess servicing receivables ("ESR") for each pool of Contracts it securitizes. ESRs are determined by computing the difference between the weighted average yield of the Contracts sold and the yield to the purchaser, adjusted for the base servicing fee based on the agreements between the Company and the purchaser. The resulting differential is recorded as a gain in the period of the sale equal to the present value of the estimated cash flows, net of any portion of the excess that may be due to the purchaser and adjusted for anticipated prepayments, repossessions, liquidations and other losses. To the extent that the actual future performance of the Contracts results in less excess cash flows than the Company estimated, the Company's ESRs will be adjusted at least quarterly, with corresponding charges recorded against income in the period in which the adjustment is made. To the extent that the actual cash flows exceed the Company's estimates, the Company will record additional servicing fees in the periods in which the excess cash was collected.

Results of Operations

The three month period ended September 30, 1996 compared to the three month  
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period ended September 30, 1995  
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Revenues. During the three months ended September 30, 1996, revenues increased \$5.9 million, or 75.2%, compared to the three month period ended September 30, 1995. Servicing fees increased by \$2.4 million, or 86.1%, and represented 38.5% of total revenues. Servicing fees consist primarily of base and excess monthly servicing fees earned on Contracts sold and serviced by the Company. The increase in servicing fees is due to the Company's continued expansion of its Contract purchase, sale and servicing activities. As of September 30, 1996, the Company was earning servicing fees on 40,216 Contracts approximating \$426.4 million compared to 22,062 Contracts approximating \$233.2 million as of September 30, 1995. In addition to the \$426.4 million in sold Contracts on which servicing fees were earned, the Company was holding for sale and servicing an additional \$18.9 million in Contracts for an aggregate total servicing portfolio of \$445.3 million.

Net gain on sale of Contracts includes (i) the excess of the amount realized on the sale of Contracts over the Company's net cost, (ii) the net present value of estimated excess servicing fees on sold Contracts, and (iii) the recognition of deferred acquisition fees paid by Dealers net of related acquisition costs. Net gain on sale of Contracts increased by \$2.5 million, or

CONSUMER PORTFOLIO SERVICES, INC.

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74.6 %, and represented 42.0% of total revenues for the three month period ended September 30, 1996. The increase in gain on sale is largely due to the volume of Contracts which were sold in the period. During the three month period ended September 30, 1996, the Company sold \$92.1 million in Contracts, compared to \$45.0 million in the three month period ended September 30, 1995.

Interest income on Contracts held for sale increased by \$1.0 million, or 58.0%, representing 19.5% of total revenues for the three month period ended September 30, 1996. The increase is due to the increase in the volume of contracts purchased and held for sale. During the three month period ended September 30, 1996, the Company purchased \$94.0 million in Contracts from Dealers, compared to \$48.3 million in the three month period ended September 30, 1995.

Expenses. During the three month period ended September 30, 1996, operating expenses increased \$3.6 million, or 98.8%, compared to the three month period ended September 30, 1995. Employee costs increased by \$1.2 million, or 103.7%, and represented 32.4% of total operating expenses. The increase is due to the addition of staff necessary to accommodate the Company's growth and certain increases in salaries of existing staff. General and administrative expenses increased by \$1.0 million, or 120.1% and represented 24.3% of total operating expenses. Increases in general and administrative expenses included increases in telecommunications, stationery, credit reports and other related items as a result of increases in the volume of purchasing and servicing of Contracts.

Marketing expenses increased by \$154,099, or 44.5%, and represented 6.8% of total expenses. The Company uses a combination of independent contractor and employee marketing representatives, all of whom are compensated directly in proportion to the number of Contracts the Company purchases from Dealers serviced by the marketing representative. The fees paid to the marketing representatives for Contracts purchased are combined with other direct costs related to contract originations and are offset against acquisition fees paid by Dealers. Any direct costs in excess of the acquisition fees paid by Dealers are deferred and amortized, in the case of Contracts held for sale, or are offset against any gain on sale in the case of Contracts sold. Additional increases in marketing expense relate to other marketing expenses such as travel, promotion and convention expenses.

Interest expense increased \$789,177, or 97.7%, and represented 21.9% of total operating expenses. During the three month period ended September 30, 1996, interest expense consisted of interest accrued and/or paid on a \$3.0 million convertible note issued November 16, 1993, \$20.0 million in subordinated debt securities issued December 20, 1995, and a warehouse line of credit. Interest expense is also impacted by the volume of Contracts held for sale, as well as by the Company's cost of borrowed funds.

During the three month period ended September 30, 1996, the provision for losses on Contracts held for sale increased by \$509,396, or 150.3%, and represented 11.6% of total operating expenses. The increase in the provision reflects a larger volume of Contracts held prior to sale when compared to the same period in the prior year.

The nine month period ended September 30, 1996 compared to the nine month period  
-----  
ended September 30, 1995  
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Revenues. During the nine months ended September 30, 1996, revenues increased \$13.7 million, or 61.2%, compared to the nine month period ended September 30, 1995. Servicing fees increased by \$5.8 million, or 82.1%, and represented 35.8% of total revenues. The increase in servicing fees is due to the Company's continued expansion of its Contract purchase, sale and servicing activities.

Net gain on sale of Contracts increased by \$5.9 million, or 59.6%, and represented 43.9% of total revenues for the nine month period ended September 30, 1996. The increase in gain on sale is largely due to the volume of Contracts which

CONSUMER PORTFOLIO SERVICES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

were sold in the period. During the nine month period ended September 30, 1996, the Company sold \$248.1 million in Contracts, compared to \$144.3 million in the nine month period ended September 30, 1995.

Interest income on Contracts held for sale increased by \$2.0 million, or 36.4%, representing 20.3% of total revenues for the nine month period ended September 30, 1996. The increase is due to the increase in the volume of contracts purchased and held for sale. During the nine month period ended September 30, 1996, the Company purchased \$254.3 million in Contracts from Dealers, compared to \$132.1 million in the nine month period ended September 30, 1995.

Expenses. During the nine month period ended September 30, 1996, operating expenses increased \$8.3 million, or 76.6%, compared to the nine month period ended September 30, 1995. Employee costs increased by \$3.0 million, or 98.3%, and represented 32.1% of total operating expenses. The increase is due to the addition of staff necessary to accommodate the Company's growth and certain increases in salaries of existing staff. General and administrative expenses increased by \$2.3 million, or 89.8% and represented 25.9% of total operating expenses. Increases in general and administrative expenses included increases in telecommunications, stationery, credit reports and other related items as a result of increases in the volume of purchasing and servicing of Contracts.

Marketing expenses increased by \$408,954, or 57.8%, and represented 5.9% of total expenses. The increase is primarily due to the increase in the volume of contracts purchased as marketing representatives are compensated directly in proportion to the number of Contracts the Company purchases from Dealers serviced by the marketing representative. Additional increases in marketing expense relate to other marketing expenses such as travel, promotion and convention expenses.

Interest expense increased \$1.5 million, or 52.0%, and represented 22.6% of total operating expenses. The increase is primarily due to the interest paid on the \$20.0 million in subordinated debt securities issued December 20, 1995. Interest expense is also impacted by the volume of Contracts held for sale as well as by the Company's cost of borrowed funds.

During the nine month period ended September 30, 1996, the provision for losses on Contracts held for sale increased by \$890,699, or 100.2%, and represented 9.3% of total operating expenses. The increase in the provision reflects a larger volume of Contracts held prior to sale when compared to the same period in the prior year.

#### Liquidity and Capital Resources

The Company's primary sources of cash include base and excess servicing fees it earns on portfolios of Contracts it has previously sold, proceeds from sales of Contracts, release of investments in credit enhancement balances pledged in conjunction with the securitization of its Contracts, and borrower payments on Contracts held for sale. The Company's primary uses of cash include its normal operating expenses and the establishment and build up of Spread Accounts, used for credit enhancements, to their maintenance levels.

Net cash used in operating activities was \$9.3 million during the nine month period ended September 30, 1996, compared to net cash used of \$15.5 million during the nine month period ended September 30, 1995. Cash used for purchasing Contracts was \$254.3 million, an increase of \$139.5 million, or 121.5%, over cash used for purchasing Contracts in the prior year's period. Cash provided from the liquidation of Contracts was \$254.3 million, an increase of \$136.4 million, or 115.7%, over cash provided from the liquidation of Contracts in the prior year's period.

The Company's cash requirements have been and will continue to be significant. Each agreement under which the Company has securitized and sold its Contracts required the Company to make a significant initial cash deposit, for

CONSUMER PORTFOLIO SERVICES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

purposes of credit enhancement, to a Spread Account which is pledged to support the related Asset Backed Securities ("ABS"), and is invested in high quality liquid securities. Excess cash flows from the securitized Contracts are deposited into the Spread Accounts until such time as the Spread Account balance reaches a specific percent of the outstanding balance of the related ABS. In its most recent securitizations, the Company established a subordinated B Piece in order to reduce the size of the required initial deposit to the Spread Accounts. The Company has sold five of six B Pieces created in conjunction with the sale of the related senior certificates.

During the nine month period ended September 30, 1996, cash used for initial deposits to Spread Accounts was \$9.0 million, an increase of \$1.8 million, or 24.2%, from the amount of cash used for initial deposits to Spread Accounts in the prior year's period. Cash from excess servicing deposited to Spread Accounts for the nine month period ended September 30, 1996, was \$13.3 million, an increase of \$6.6 million, or 97.5%, over cash from excess servicing deposited to Spread Accounts in the prior year's period. Cash released from Spread Accounts for the nine month period ended September 30, 1996, was \$6.2 million, a decrease of \$1.8 million, or 22.8%, over cash released from Spread Accounts in the prior year's period. Changes in deposits to and releases from Spread Accounts are impacted by the relative size and seasoning of the various pools of sold Contracts that make up the Company's servicing portfolio. In the nine month period ended September 30, 1996, certain securitized pools exceeded predetermined delinquency levels which resulted in increased Spread Account levels, and consequently, less releases in cash from Spread Accounts. The Company believes that increases in delinquency are due to changes in its strategy regarding the timing of repossessions of vehicles under its Contracts. The Company is currently in discussions with parties to the various securitization agreements and believes those discussions will result in modifications to the agreements that will provide for delinquency levels which are more reflective of the Company's experience. As a result, the Company would anticipate greater releases of cash from Spread Accounts in the future.

During the nine month period ended September 30, 1996, the Company purchased 38% of the outstanding common stock of NAB Asset Corporation for approximately \$4 million.

Cash flows are impacted by the use of the credit line (the "Line"), which is in turn is impacted by the amount of Contracts the Company holds for sale. At September 30, 1996, the Line had an outstanding balance of \$9.8 million, compared to \$15.5 million at September 30, 1995. In June 1995, the Company entered into two new agreements which restructured the Line and increased the maximum available amount to \$100.0 million. The primary agreement provides for loans by Redwood Receivables Corporation ("Redwood") to the Company, to be funded by commercial paper issued by Redwood and secured by Contracts pledged periodically by the Company. The Redwood facility provides for a maximum of \$100.0 million of advances to the Company, with interest at a variable rate tied to prevailing commercial paper rates. When the Company wishes to securitize these Contracts, a substantial part of the proceeds received from investors is paid to Redwood, which simultaneously releases the pledged Contracts for transfer to a pass-through securitization trust. The second agreement is a standby line of credit with General Electric Capital Corporation ("GECC"), also with a \$100.0 million maximum, which the Company may use only if and to the extent that Redwood does not provide funding as described above. The GECC line of credit is secured by Contracts and substantially all other assets of the Company. Both agreements extend through November 30, 1998. The two agreements are viewed as a single short-term warehouse line of credit, with advances varying according to the amount of pledged Contracts.

The Company anticipates the funds available under the Line, proceeds from the sale of Contracts and cash from operations will be sufficient to satisfy the Company's estimated cash requirements for the next 12 months, assuming that the Company continues to have a means by which to sell its warehoused Contracts. If for any reason the Company is unable to sell its Contracts, or if the Company's available cash otherwise proves to be insufficient to fund operations (because of future changes in the industry, general economic conditions, unanticipated increases in expenses, or other factors), the Company may be required to seek additional funding.

CONSUMER PORTFOLIO SERVICES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On November 1, 1996, the Company began to rent an additional 7,000 square feet of contiguous office space in accordance with the Company's lease agreement. In addition, the Company recently acquired an additional, and significantly upgraded, IBM AS/400 computer. This hardware represents the primary platform on which the Company processes its Contracts. The Company anticipates that it will incur certain limited capital expenditures during the next twelve months as its business continues to grow.

The descriptions of the Company's business and activities set forth in this Form 10-QSB and in other past and future reports and announcements by the Company may contain forward-looking statements and assumptions regarding the future activities and results of operations of the Company. Actual results may be adversely affected by various factors including the following: increases in unemployment or other changes in domestic economic conditions which adversely affect the sales of new and used automobiles and may result in increased delinquencies, foreclosures and losses on Contracts; adverse economic conditions in geographic areas in which the Company's business is concentrated; changes in interest rates, adverse changes in the market for securitized receivables pools, or a substantial lengthening of the Company's warehousing period, each of which could restrict the Company's ability to obtain cash for new Contract originations and purchases; increases in the amounts required to be set aside in Spread Accounts or to be expended for other forms of credit enhancement to support future securitizations; the reduction or unavailability of warehouse lines of credit which the Company uses to accumulate Contracts for securitization transactions; increased competition from other automobile finance sources; reduction in the number and amount of acceptable Contracts submitted to the Company by its automobile dealer network; changes in government regulations affecting consumer credit; and other economic, financial and regulatory factors beyond the Company's control.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES  
FORM 10-QSB SEPTEMBER 30, 1996

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's annual meeting of shareholders was held on July 31, 1996, at which the following action was taken:

1. The following persons were elected directors of the Company by the votes of shares indicated to hold office until the next annual meeting.

Name	Votes For	Votes Withheld	Abstain	Total
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Charles E. Bradley, Sr.	10,642,985	103,117	0	10,746,102
Charles E. Bradley, Jr.	10,642,985	103,117	0	10,746,102
William B. Roberts	10,642,985	103,117	0	10,746,102
John G. Poole	10,642,985	103,117	0	10,746,102
Robert A. Simms	10,642,985	103,117	0	10,746,102
Thomas L. Chrystie	10,642,985	103,117	0	10,746,102

2. A proposal to ratify the appointment of KPMG Peat Marwick as the Company's independent auditors for the year ending December 31, 1996, was approved by the holders of the Company's common stock. The vote of common shareholders on this proposal was as follows: 10,577,885 shares in favor, 20,270 shares against and 147,947 shares abstaining.

There were zero shares of broker no-votes on all above matters.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES  
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Signatures

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In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Consumer Portfolio Services, Inc.  
(Registrant)

Date: November 13, 1996

/s/ Charles E. Bradley, Jr.

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Charles E. Bradley, Jr.  
Director, President, Chief Executive Officer  
(Principal Executive Officer)

Date: November 13, 1996

/s/ Jeffrey P. Fritz

- - - - -

Jeffrey P. Fritz  
Chief Financial Officer  
(Principal Financial Officer and Principal  
Accounting Officer)



3-MOS  
 DEC-31-1996  
 JUL-01-1996  
 SEP-30-1996  
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