

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) July 21, 2014

CONSUMER PORTFOLIO SERVICES, INC.

(Exact Name of Registrant as Specified in Charter)

<u>CALIFORNIA</u>	<u>1-11416</u>	<u>33-0459135</u>
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3800 Howard Hughes Parkway, Las Vegas, NV 89169

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (949) 753-6800

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 21, 2014, the registrant announced its earnings for the three-month and six-month periods ended June 30, 2014. A copy of the announcement is attached as an exhibit to this report.

The registrant will host a conference call on Tuesday, July 22, 2014, at 1:00 p.m. ET to discuss its results. Those wishing to participate by telephone may dial in at 877 312-5502 or 253 237-1131 approximately 10 minutes prior to the scheduled time. A replay of the conference call will be available between July 22, 2014 and July 29, 2014, beginning two hours after conclusion of the call, by dialing 855 859-2056 (or 404 537-3406 for international participants), with conference identification number 76956813. A broadcast of the conference call will also be available live and for 90 days after the call via the Company's web site at www.consumerportfolio.com.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

99.1 News Release dated July 21, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSUMER PORTFOLIO SERVICES, INC.

Dated: July 22, 2014

By: /s/ JEFFREY P. FRITZ

Jeffrey P. Fritz

Executive Vice President and Chief Financial Officer

Signing on behalf of the registrant



NEWS RELEASE

CPS ANNOUNCES SECOND QUARTER 2014 EARNINGS

- § Pretax income of \$12.3 million
- § Net income of \$7.0 million, or \$0.22 per diluted share
- § New contract purchases of \$211 million
- § Total managed portfolio increases to \$1.374 billion from \$1.295 billion at March 31, 2014
- § Second quarter ABS earns triple "A" rating.

IRVINE, California, July 21, 2014 (GlobeNewswire) -- Consumer Portfolio Services, Inc. (Nasdaq: CPSS) ("CPS" or the "Company") today announced earnings of \$7.0 million, or \$0.22 per diluted share, for its second quarter ended June 30, 2014. This compares to net income of \$4.8 million, or \$0.15 per diluted share, in the second quarter of 2013, representing a 47% increase in earnings per diluted share. Earnings for the first six months of 2014 were \$13.7 million, or \$0.43 per diluted share, as compared to earnings of \$8.6 million, or \$0.27 per diluted share, for the same period in 2013.

Revenues for the second quarter of 2014 were \$71.6 million, an increase of \$1.1 million, or 1.6%, compared to \$70.5 million for the second quarter of 2013. However, in the second quarter of 2013, revenues included \$10.9 million from a gain on cancellation of debt. Excluding that gain, revenues for the second quarter of 2014 increased by \$12.1 million, or 20.3%. Total operating expenses for the second quarter of 2014 were \$59.3 million, a decrease of \$2.7 million, or 4.3%, compared to \$61.9 million for the 2013 period. However, in the second quarter of 2013, operating expenses included a provision for contingent liabilities of \$9.7 million. Excluding the provision for contingent liabilities, operating expenses increased \$7.0 million, or 13.3%. Pretax income for the second quarter of 2014 was \$12.3 million compared to pretax income of \$8.5 million in the second quarter of 2013, an increase of 44.3%.

For the six months ended June 30, 2014 total revenues were \$139.7 million compared to \$114.1 million for the six months ended June 30, 2013, excluding the gain from the cancellation of debt, an increase of approximately \$25.6 million, or 22.4%. Total expenses for the six months ended June 30, 2014 were \$115.6 million, an increase of \$15.3 million, or 15.2%, compared to \$100.3 million for the six months ended June 30, 2013, excluding the provision for contingent liabilities in that period. Pretax income for the six months ended June 30, 2014 was \$24.1 million, compared to \$15.1 million for the six months ended June 30, 2013.

During the second quarter of 2014, CPS purchased \$211.4 million of new contracts compared to \$189.9 million during the first quarter of 2014 and \$203.8 million during the second quarter of 2013. The Company's managed receivables totaled \$1.374 billion as of June 30, 2014, an increase from \$1.295 billion as of March 31, 2014 and \$1.067 billion as of June 30, 2013, as follows (\$ in millions):

Originating Entity	June 30, 2014	March 31, 2014	June 30, 2013
CPS	\$1,366.6	\$1,282.6	\$1,030.5
Fireside Bank	5.7	9.1	31.1
As Third Party Servicer	1.3	3.5	5.8
Total	\$1,373.6	\$1,295.2	\$1,067.4

Annualized net charge-offs for the second quarter of 2014 were 4.98% of the average owned portfolio as compared to 4.03% for the second quarter of 2013. Delinquencies greater than 30 days (including repossession inventory) were 6.21% of the total owned portfolio as of June 30, 2014, as compared to 5.16% as of June 30, 2013.

As previously reported, during June CPS closed its second term securitization transaction of 2014 and the 13th transaction since April 2011. In the senior subordinate structure, a special purpose subsidiary sold five tranches of asset-backed notes totaling \$202.5 million. The notes are secured by automobile receivables purchased by CPS and have a weighted average effective coupon of approximately 2.37%. The transaction has initial credit enhancement consisting of a cash deposit equal to 1.00% of the original receivable pool balance. The final enhancement level requires accelerated payment of principal on the notes to reach overcollateralization of 4.00% of the then-outstanding receivable pool balance. The transaction was CPS's first senior subordinate securitization to receive a triple "A" rating on the senior class of notes.

"We are pleased with our operating results for the second quarter of 2014," said Charles E. Bradley, Jr., Chairman and Chief Executive Officer. "We increased our new contract purchases and managed portfolio, and achieved continued earnings growth. In addition, we hit a milestone in one of our corporate objectives by earning a triple "A" rating on the senior class of notes in our 2014-B securitization, which contributed to an extremely low cost of funds on that transaction."

Conference Call

CPS announced that it will hold a conference call on Tuesday, July 22, 2014, at 1:00 p.m. ET to discuss its quarterly operating results. Those wishing to participate by telephone may dial-in at 877 312-5502 or 253 237-1131 approximately 10 minutes prior to the scheduled time.

A replay of the conference call will be available between July 22, 2014 and July 29, 2014, beginning two hours after conclusion of the call, by dialing 855 859-2056 or 404 537-3406 for international participants, with conference identification number 76956813. A broadcast of the conference call will also be available live and for 90 days after the call via the Company's web site at www.consumerportfolio.com.

About Consumer Portfolio Services, Inc.

Consumer Portfolio Services, Inc. is an independent specialty finance company that provides indirect automobile financing to individuals with past credit problems, low incomes or limited credit histories. We purchase retail installment sales contracts primarily from franchised automobile dealerships secured by late model used vehicles and, to a lesser extent, new vehicles. We fund these contract purchases on a long-term basis primarily through the securitization markets and service the contracts over their lives.

Forward-looking statements in this news release include the Company's recorded revenue, expense and provision for credit losses, because these items are dependent on the Company's estimates of incurred losses. The accuracy of such estimates may be adversely affected by various factors, which include (in addition to risks relating to the economy generally) the following: possible increased delinquencies; repossessions and losses on retail installment contracts; incorrect prepayment speed and/or discount rate assumptions; possible unavailability of qualified personnel, which could adversely affect the Company's ability to service its portfolio; possible increases in the rate of consumer bankruptcy filings, which could adversely affect the Company's rights to collect payments from its portfolio; other changes in government regulations affecting consumer credit; possible declines in the market price for used vehicles, which could adversely affect the Company's realization upon repossessed vehicles; and economic conditions in geographic areas in which the Company's business is concentrated. All of such factors also may affect the Company's future financial results, as to which there can be no assurance. Any implication that the results of the most recently completed quarter are indicative of future results is disclaimed, and the reader should draw no such inference. Factors such as those identified above in relation to the provision for credit losses may affect future performance.

Investor Relations Contact

Jeffrey P. Fritz, Chief Financial Officer
844 878-2777

Consumer Portfolio Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues:				
Interest income	\$ 68,221	\$ 55,797	\$ 133,217	\$ 106,964
Servicing fees	367	876	880	1,784
Other income	3,006	2,862	5,643	5,380
Gain on cancellation of debt	-	10,947	-	10,947
	<u>71,594</u>	<u>70,482</u>	<u>139,740</u>	<u>125,075</u>
Expenses:				
Employee costs	11,774	11,527	22,664	20,476
General and administrative	5,075	4,518	8,678	8,272
Interest	11,942	14,601	25,323	30,947
Provision for credit losses	25,627	17,371	49,508	32,519
Provision for contingent liabilities	-	9,650	-	9,650
Other expenses	4,847	4,269	9,474	8,137
	<u>59,265</u>	<u>61,936</u>	<u>115,647</u>	<u>110,001</u>
Income before income taxes	12,329	8,546	24,093	15,074
Income tax expense	5,303	3,721	10,362	6,464
Net income	<u>\$ 7,026</u>	<u>\$ 4,825</u>	<u>\$ 13,731</u>	<u>\$ 8,610</u>
Earnings per share:				
Basic	\$ 0.28	\$ 0.23	\$ 0.56	\$ 0.42
Diluted	\$ 0.22	\$ 0.15	\$ 0.43	\$ 0.27

Number of shares used in computing earnings per share:				
Basic	25,029	20,989	24,694	20,534
Diluted	32,002	31,788	32,009	31,709

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	June 30, 2014	December 31, 2013
Assets:		
Cash and cash equivalents	\$ 14,426	\$ 22,112
Restricted cash and equivalents	154,902	132,284
Total cash and cash equivalents	<u>169,328</u>	<u>154,396</u>
Finance receivables	1,312,745	1,155,063
Allowance for finance credit losses	(53,326)	(39,626)
Finance receivables, net	<u>1,259,419</u>	<u>1,115,437</u>
Finance receivables measured at fair value	5,686	14,476
Residual interest in securitizations	260	854
Deferred tax assets, net	51,550	59,215
Other assets	54,831	51,988
	<u>\$ 1,541,074</u>	<u>\$ 1,396,366</u>

Liabilities and

Shareholders' Equity:

Accounts payable and accrued expenses	24,252		\$	24,839
Warehouse lines of credit	41,290			9,452
Residual interest financing	14,079			19,096
Debt secured by receivables measured at fair value	5,392			13,117
Securitization trust debt	1,326,319			1,177,559
Senior secured debt, related party	--			38,559
Subordinated renewable notes	18,038			19,142
	<u>1,429,370</u>			<u>1,301,764</u>
Shareholders' equity	111,704			94,602
	<u>\$ 1,541,074</u>			<u>\$ 1,396,366</u>

Operating and Performance Data (\$ in millions)

	At and for the Three months ended June 30,		At and for the Six months ended June 30,	
	2014	2013	2014	2013
Contracts purchased	\$ 211.38	\$ 203.78	\$ 401.27	\$ 383.90
Contracts securitized	200.21	209.64	374.80	370.90
Total managed portfolio	\$ 1,373.58	\$ 1,067.42	\$ 1,373.58	\$ 1,067.42
Average managed portfolio	1,343.46	1,034.57	1,309.13	989.31
Allowance for finance credit losses as % of fin. receivables	4.06%	3.30%		
Aggregate allowance as % of fin. receivables (1)	5.19%	4.02%		
Delinquencies				
31+ Days	4.10%	3.82%		
Repossession Inventory	2.11%	1.34%		
Total Delinquencies and Repo. Inventory	6.21%	5.16%		
Annualized net charge-offs as % of average owned portfolio	4.98%	4.03%	5.25%	4.12%
Recovery rates (2)	49.2%	48.6%	48.6%	48.8%
	For the Three months ended June 30,		For the Six months ended June 30,	
	2014	2013	2014	2013
	\$ (3)	\$ (3)	\$ (3)	\$ (3)
	% (4)	% (4)	% (4)	% (4)
Interest income	\$ 68.22	\$ 55.80	\$ 133.22	\$ 106.96
Servicing fees and other income	3.37	3.74	6.52	7.16
Interest expense	(11.94)	(14.60)	(25.32)	(30.95)
Net interest margin	59.65	44.93	114.42	83.18
Provision for credit losses	(25.63)	(17.37)	(49.51)	(32.52)
Risk adjusted margin	34.03	27.56	64.91	50.66
Core operating expenses	(21.70)	(20.31)	(40.82)	(36.89)
Provision for contingent liabilities	-	(9.65)	-	(9.65)

Gain on cancellation of debt	-	0.0%	10.95	4.2%	-	0.0%	10.95	2.2%
Pre-tax income	\$ 12.33	3.7%	\$ 8.55	3.3%	\$ 24.09	3.7%	\$ 15.07	3.0%

(1) Includes allowance for finance credit losses and allowance for repossession inventory.

(2) Wholesale auction liquidation amounts (net of expenses) for CPS portfolio as a percentage of the account balance at the time of sale.

(3) Numbers may not add due to rounding.

(4) Annualized percentage of the average managed portfolio. Percentages may not add due to rounding.
