UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

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

For the transition period from _______ to _______

Commission file number: 1-11416

CONSUMER PORTFOLIO SERVICES, INC.
(Exact name of registrant as specified in its charter)

CALIFORNIA	33-0459135
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
16355 LAGUNA CANYON ROAD, IRVINE, CALIFORNIA	92618
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (949) 753-6800

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

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 [ ]

As of May 11, 2000, the registrant had 20,314,501 common shares outstanding.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
INDEX TO FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2000

PART I - FINANCIAL INFORMATION

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	March 31, 2000	December 31, 1999
ASSETS		
Cash	$ 4,699	$ 1,640
Restricted cash	--	1,684
Contracts held for sale (note 2)	3,482	2,421
Servicing fees receivable	8,444	9,919
Residual interest in securitizations (note 3)	146,335	172,530
Furniture and equipment, net	2,751	3,040
Taxes receivable	11,976	4,914
Deferred financing costs	2,862	2,488
Investment in unconsolidated affiliates	271	755
Related party receivables	912	901
Deferred interest expense (note 7)	10,362	10,720
Other assets	11,801	12,553
	$ 203,895	$ 223,565
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accounts payable & accrued expenses	$ 12,453	$ 13,637
Deferred tax liability	6,318	6,318
Capital lease obligations	1,338	1,506
Notes payable	3,635	4,006
Senior secured debt	46,000	23,161
Subordinated debt	39,000	69,000
Related party debt	21,500	21,500
	130,244	139,128
SHAREHOLDERS' EQUITY		
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; 20,314,501 and 20,107,501 shares issued and outstanding at March 31, 2000 and December 31, 1999, respectively	62,732	62,421
Retained earnings	10,919	22,016
	73,651	84,437
	$ 203,895	$ 223,565

See accompanying notes to condensed consolidated financial statements

Consumer Portfolio Services, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
REVENUES:		
Gain (loss) on sale of contracts, net (note 4)	$ 4,346	$ (1,560)
Interest income (note 5)	(8,957)	14,601
Servicing fees	5,095	7,918
Other loss	(110)	(135)
	374	20,824
EXPENSES:		
Employee costs	6,793	8,244
General and administrative	3,528	5,756
Interest	4,779	7,268
Marketing	1,520	1,882
Occupancy	958	710
Depreciation and amortization	301	533
Related party consulting fees	12	98
	17,891	24,491
Loss before income taxes	(17,517)	(3,667)
Income tax benefit	(6,420)	(1,540)
Net loss	$ (11,097)	$ (2,127)
Loss per share (note 6):		
Basic	$ (0.55)	$ (0.14)
Diluted	$ (0.55)	$ (0.14)
Number of shares used in computing loss per share (note 6):		
Basic	20,144	15,659
Diluted	20,144	15,659

See accompanying notes to condensed consolidated financial statements

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (11,097)	$ (2,127)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	301	533
Amortization of NIRs	5,256	10,270
Amortization of deferred financing costs	165	148
Provision for credit losses	400	1,378
Equity in net loss of investment in unconsolidated affiliates	484	319
Net releases from (deposits into) trusts	17,992	(14,567)
Amortization of over-collateralization	2,947	2,600
Changes in assets and liabilities:		
Restricted cash	1,684	--
Purchases of contracts held for sale	(157,620)	(158,186)
Liquidation of contracts held for sale	156,159	14,498
Other assets	2,884	(1,129)
Accounts payable and accrued expenses	(1,184)	17,828
Warehouse lines of credit	--	125,775
Taxes payable/receivable	(7,062)	(1,570)
Net cash provided by (used in) operating activities	11,309	(4,230)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net related party receivables	(11)	1,545
Purchases of furniture and equipment	--	(17)
Net cash provided by (used in) investing activities	(11)	1,528
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in senior secured debt	16,000	--
Issuance of notes payable	--	1,395
Repayment of senior secured debt	(23,161)	--
Repayment of capital lease obligations	(168)	(145)
Repayment of notes payable	(371)	(106)
Payment of financing costs	(539)	--
Net cash provided by (used in) financing activities	(8,239)	1,144
Increase (decrease) in cash	3,059	(1,558)
Cash at beginning of period	1,640	1,940
Cash at end of period	$ 4,699	$ 382
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 3,957	$ 6,969
Income taxes	$ 642	$ 32
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common stock upon restructuring of debt	$ 311	$ --
Reclassification of subordinated debt	$ 30,000	$ --

See accompanying notes to condensed consolidated financial statements

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include all adjustments that 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. In addition, certain items in prior period financial statements have been reclassified for comparability to current period presentation. Results for the three month period ended March 31, 2000, 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. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1999.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Consumer Portfolio Services, Inc. and its wholly-owned subsidiaries CPS Marketing, Inc., Alton Receivables Corp. ("Alton"), CPS Receivables Corp. ("CPSRC"), CPS Funding Corporation ("CPSFC") and CPS Warehouse Corp. ("CPSWC"). Alton, CPSRC, CPSFC and CPSWC are limited purpose corporations formed to accommodate the structures under which the Company purchases and sells its Contracts. CPS Marketing, Inc. employs marketing representatives who solicit business from motor vehicle dealers ("Dealers"). The consolidated financial statements also include the accounts of SAMCO Acceptance Corp., LINC Acceptance Company, LLC, and CPS Leasing, Inc., which are 80% owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in unconsolidated affiliates that are not majority owned are reported using the equity method. The excess of the purchase price of such subsidiaries over the Company's share of the net assets at the acquisition date ("goodwill") is being amortized over a period of up to fifteen years. Goodwill is reviewed for possible impairment when events or changed circumstances may affect the underlying basis of the asset. Impairment is measured by discounting operating income at an appropriate discount rate.

CONTRACTS HELD FOR SALE

Contracts held for sale include automobile installment sales contracts (generally, "Contracts") on which interest is precomputed and added to the principal amount financed. The interest on precomputed Contracts is included in unearned financed charges. Unearned financed charges are amortized over the remaining period to contractual maturity, using the interest method. Contracts held for sale are stated at the lower of cost or market value. Market value is determined by purchase commitments from investors and prevailing market prices. Gains and losses are recorded as appropriate when Contracts are sold. The Company considers a transfer of Contracts, where the Company surrenders control over the Contracts, a sale to the extent that consideration, other than beneficial interests in the transferred Contracts, is received in exchange for the Contracts.

CONTRACTS HELD TO MATURITY

Contracts held to maturity are presented at cost and are included in other assets. Payments received on Contracts held to maturity are restricted to certain securitized pools, and the related Contracts cannot be resold.

ALLOWANCE FOR CREDIT LOSSES

The Company estimates an allowance for credit losses, which management believes provides adequately for known and inherent losses that may develop in the Contracts held for sale. Provision for loss is charged to gain on sale of Contracts. Charge offs, net of recoveries, are charged to the allowance. Management evaluates the adequacy of the allowance by examining current delinquencies, the characteristics of the portfolio and the value of the underlying collateral.

CONTRACT ACQUISITION FEES

Upon purchase of a Contract from a Dealer, the Company generally charges the Dealer an acquisition fee. The acquisition fees associated with

Contract purchases are deferred until the Contracts are sold, at which time the deferred acquisition fees are recognized as a component of the gain on sale. The Company also charges an origination fee for those Contracts that are sold on a flow basis. Those fees are recognized at the time the Contracts are sold and are also a component of the gain on sale.

FLOW PURCHASE PROGRAM

From May 1999 through the date of this report, the Company has purchased Contracts only for immediate and outright resale to non-affiliated third parties. Such sales are made on a servicing released basis, that is, with no residual interest retained, with no servicing obligation, and with no right to receive a servicing fee. The Company sells such Contracts for a mark-up above what the Company pays the Dealer. In such sales, the Company makes certain representations and warranties to the purchasers, normal in the industry, which relate primarily to the legality of the sale of the underlying motor vehicle and to the validity of the security interest that is being conveyed to the purchaser. These representations and warranties are generally similar to the representations and warranties given by the originating Dealer to the Company. In the event of a breach of such representations or warranties, the Company may incur liabilities in favor of the purchaser(s) of the Contracts, and there can be no assurance that the Company would be able to recover, in turn, against the originating Dealer(s).

RESIDUAL INTEREST IN SECURITIZATIONS AND GAIN ON SALE OF CONTRACTS

The Company has purchased Contracts with the primary intention of reselling them in securitization transactions as asset-backed securities. Although the Company has not been able to sell Contracts in a securitization transaction since December 1998, it does plan to securitize in the future, as to which there can be no assurance. The Company's securitization structure has been as follows: First, the Company sells a portfolio of Contracts to a wholly owned subsidiary ("SPS"), which has been established for the limited purpose of buying and reselling the Company's Contracts. The SPS then transfers the same Contracts to either a grantor trust or an owner trust (the "Trust"). The Trust in turn issues interest-bearing asset-backed securities (the "Certificates"), generally in a principal amount equal to the aggregate principal balance of the Contracts. The Company typically sells these Contracts to the Trust at face value and without recourse, except that representations and warranties similar to those provided by the Dealer to the Company are provided by the Company to the Trust. One or more investors purchase the Certificates issued by the Trust; the proceeds from the sale of the Certificates are then used to purchase the Contracts from the Company. The Company purchases a financial guaranty insurance policy, guaranteeing timely payment of principal and interest on the senior Certificates, from an insurance company (the "Certificate Insurer"). In addition, the Company provides a credit enhancement for the benefit of the Certificate Insurer and the investors in the form of an initial cash deposit to an account ("Spread Account") held by the Trust. The agreements governing the securitization transactions (collectively referred to as the "Securitization Agreements") require that the initial deposits to the Spread Accounts be supplemented by a portion of collections from the Contracts until the Spread Accounts reach specified levels, and then maintained at those levels. The specified levels are generally computed as a percentage of the principal amount remaining unpaid under the related Certificates. The specified levels at which the Spread Accounts are to be maintained will vary depending on the performance of the portfolios of Contracts held by the Trusts and on other conditions, and may also be varied by agreement among the Company, the SPS, the Certificate Insurer and the trustee. Such levels have increased and decreased from time to time based on performance of the portfolios, and have also been varied by agreement. The specified levels applicable to the Company's sold pools increased significantly in 1998. Effective November 3, 1999, as applied to monthly measurement dates from September 1999 onward, the specified levels have decreased. See note 7 - "Liquidity".

At the closing of each securitization, the Company removes from its consolidated balance sheet the Contracts held for sale and adds to its consolidated balance sheet (i) the cash received and (ii) the estimated fair value of the ownership interest that the Company retains in Contracts sold in securitization. That retained interest (the "Residual") consists of (a) the cash held in the Spread Account and (b) the net interest receivables ("NIRs"). NIRs represent the estimated discounted cash flows to be received from the Trust in the future, net of principal and interest payable with respect to the Certificates, and certain expenses. The excess of the cash received and the assets retained by the Company over the carrying value of the Contracts sold, less transaction costs, equals the net gain on sale of Contracts recorded by the Company.

The Company allocates its basis in the Contracts between the Certificates and the Residuals retained based on the relative fair values of those portions on the date of the sale. The Company recognizes gains or losses attributable to the change in the fair value of the Residuals, which are recorded at estimated fair value and accounted for as "held-for-trading" securities. The Company is not aware of an active market for the purchase or sale of interests such as the Residuals; accordingly, the Company determines the estimated fair value of the Residuals by discounting the amount and timing of anticipated cash flows released from the Spread Account (the cash out method), using a discount rate that the Company believes is appropriate for the risks involved. For that valuation, the Company has used an effective discount rate of approximately 14% per annum.

The Company receives periodic base servicing fees for the servicing and collection of the Contracts. In addition, the Company is entitled to the cash flows from the Residuals that represent collections on the Contracts in excess of the amounts required to pay principal and interest on the Certificates, the base servicing fees, and certain other fees (such as trustee and custodial fees). At the end of each collection period, the aggregate cash collections from the Contracts are allocated first to the base servicing fees and certain other fees such as trustee and custodial fees for the period, then to the Certificateholders for interest at the pass-through rate on the Certificates plus principal as defined in the Securitization Agreements. If the amount of cash required for the above allocations exceeds the amount collected during the collection period, the shortfall is drawn from the Spread Account. If the cash collected during the period exceeds the amount necessary for the above allocations, and there is no shortfall in the related Spread Account, the excess is released to the Company or in certain cases is transferred to other Spread Accounts that may be below their required levels. Pursuant to certain Securitization Agreements, excess cash collected during the period is used to make accelerated principal paydowns on certain Certificates to create excess collateral (over-collateralization or OC account). If the Spread Account balance is not at the required credit enhancement level, then the excess cash collected is retained in the Spread Account until the specified level is achieved. The cash in the Spread Accounts is restricted from use by the Company. Cash held in the various Spread Accounts is invested in high quality, liquid investment securities, as specified in the Securitization Agreements. Spread Account balances are held by the Trusts on behalf of the Company as the owner of the Residuals.

The annual percentage rate payable on the Contracts is significantly greater than the pass through rate on the Certificates. Accordingly, the Residuals described above are a significant asset of the Company. In determining the value of the Residuals described above, the Company must estimate the future rates of prepayments, delinquencies, defaults and default loss severity as they affect the amount and timing of the estimated cash flows. The Company estimates prepayments by evaluating historical prepayment performance of comparable Contracts. The Company has used a constant prepayment estimate of approximately 4% per annum. The Company estimates defaults and default loss severity using available historical loss data for comparable Contracts and the specific characteristics of the Contracts purchased by the Company. In valuing the Residuals, the Company estimates that losses as a percentage of the original principal balance will range from 14% to 16.5% cumulatively over the lives of the related Contracts.

In future periods, the Company would recognize additional revenue from the Residuals if the actual performance of the Contracts were to be better than the original estimate, or the Company would increase the estimated fair value of the Residuals. If the actual performance of the Contracts were to be worse than the original estimate, then a downward adjustment to the carrying value of the Residuals would be required. Due to the inherent uncertainty of the future performance of the underlying Contracts, the Company during 1998 established a provision for losses on the Residuals.

The Certificateholders and the related securitization trusts have no recourse to the Company for failure of the Contract obligors to make payments on a timely basis. The Company's Residuals are subordinate to the Certificates until the Certificateholders are fully paid.

(2) CONTRACTS HELD FOR SALE

The following table presents the components of Contracts held for sale:

	March 31, 2000	December 31, 1999
	(in thousands)	
Gross receivable balance	$ 4,309	$ 3,857
Unearned finance charges	(57)	(136)
Deferred acquisition fees and discounts	(497)	(437)
Allowance for credit losses	(273)	(863)
Net contracts held for sale	$ 3,482	$ 2,421

(3) RESIDUAL INTEREST IN SECURITIZATIONS

The following table presents the components of the residual interest in securitizations:

	March 31, 2000	December 31, 1999
	(in thousands)	
Cash, commercial paper, US government securities and other qualifying investments (Spread Account)	$ 108,167	$ 126,126
NIRs	13,934	19,190
Over collateralization	24,151	27,098
Investment in subordinated certificates	83	116
Residual interest in securitizations:	$ 146,335	$ 172,530

The following table presents the activity of the NIRs:

	Three Months Ended March 31,	
	2000	1999
	(in thousands)	
Balance, beginning of period	$ 19,190	$ 54,800
Amortization of NIRs	(5,256)	(10,270)
Balance, end of period	$ 13,934	$ 44,530

The following table presents estimated remaining undiscounted credit losses included in the fair value estimated of the Residuals as a percentage of the Company's servicing portfolio subject to recourse provisions:

	March 31, 2000	December 31, 1999
	(in thousands)	
Undiscounted estimated credit losses	$ 60,051	$ 77,480
Servicing subject to recourse provisions	$ 685,768	$ 813,061
Undiscounted estimated credit losses as percentage of servicing subject to recourse provisions	8.76%	9.53%

(4) GAIN ON SALE OF CONTRACTS

The following table presents components of net gain (loss) on sale of Contracts:

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
	(in thousands)	
Gains (loss) recognized on sale	$ 4,847	$ --
Deferred acquisition fees and discounts	9	--
Expenses related to sales	(110)	(182)
Provision for credit losses	(400)	(1,378)
Net gain (loss) on sale of contracts	$ 4,346	$ (1,560)

(5) INTEREST INCOME

The following table presents the components of interest income:

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
	(in thousands)	
Interest on Contracts held for sale	$ 323	$ 12,659
Residual interest income net of amortization of OC accounts and Spread Accounts	(4,024)	12,212
Amortization of NIRs	(5,256)	(10,270)
Net interest income (loss)	$ (8,957)	$ 14,601

(6) LOSS PER SHARE

Diluted loss per share for the three month periods ended March 31, 2000 and 1999, was calculated using the weighted average number of shares outstanding for the related period. The following table reconciles the number of shares used in the computations of basic and diluted loss per share for the three month periods ended March 31, 2000 and 1999:

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
	(in thousands)	
Weighted average number of common shares outstanding during the period used to compute basic loss per share	20,144	15,659
Number of common shares used to compute diluted loss per share	20,144	15,659

If the anti-dilutive effects of common stock equivalents were not considered, additional shares included in diluted loss per share calculation for the three month periods ended March 31, 2000 and 1999, would have included an additional 1.7 million and 2.2 million shares, respectively, from outstanding stock options and warrants and an additional 2.4 million from incremental shares attributable to the conversion of certain subordinated debt, for an aggregate total of approximately 24.2 million and 20.2 million diluted shares for the three month periods ending March 31, 2000 and 1999, respectively.

(7) LIQUIDITY

The Company's business requires substantial cash to support its operating activities. The Company's primary sources of cash from operating activities have been proceeds from the sales of Contracts, amounts borrowed under its various warehouse lines of credit, servicing fees on portfolios of Contracts previously sold, proceeds from the sales of Contracts, customer payments of principal and interest on Contracts held for sale, fees for origination of Contracts, and releases of cash from Spread Accounts. The Company's primary uses of cash have been the purchases of Contracts, repayment of amounts borrowed under its warehouse lines and otherwise, operating expenses such as employee, interest, and occupancy expenses, the establishment of and further contributions to Spread Accounts, and income taxes. As a result, the Company has been dependent on its warehouse lines of credit to purchase Contracts, and on the availability of capital from outside sources in order to finance its continued operations, and to fund the portion of Contract purchase prices not borrowed under warehouse lines of credit. The Company is not presently party to any warehouse line of credit, and did not receive any material releases of cash from Spread Accounts from June 1998 through October 1999. The inability to borrow and the lack of cash releases resulted in a liquidity deficiency, which has been progressively alleviated since the November 1999 re-commencement of releases of cash from Spread Accounts.

The Company has maintained its Contract purchasing program in the absence of any warehouse line of credit by entering into flow purchase arrangements. Flow purchases allow the Company to purchase Contracts while maintaining only an immaterial level of Contracts held for sale. The Company's revenues from flow purchase of Contracts, however, are materially less than may be received by holding Contracts to maturity or by selling Contracts in securitization transactions.

Net cash provided by operating activities was $11.3 million for the three month period ended March 31, 2000, compared to net cash used in operating activities of $4.2 million for the same period in the prior year. Net cash released from Trusts was $18.0 million for the three month period ended March 31, 2000, as compared to net cash deposited into Trusts of $14.6 million for the same period in the prior year.

During the three month periods ended March 31, 2000, and 1999, the Company did not complete a securitization transaction, and therefore, did not use any cash for initial deposits to Spread Accounts. Cash used for subsequent deposits to Spread Accounts for the three month period ended March 31, 2000, was $1.0 million, a decrease of $11.5 million, or 92%, from cash used for subsequent deposits to Spread Accounts for the same period in the prior year. Cash released from Spread Accounts for the three month period ended March 31, 2000, was $19.0 million, as compared with $577,000 for the same period in the prior year. Changes in deposits to and releases from Spread Accounts are affected by the relative size, seasoning and performance of the various pools of sold Contracts that make up the Company's Servicing Portfolio.

Beginning in June 1998, the Company's liquidity was adversely affected by the absence of releases from Spread Accounts. Such releases did not occur because a number of the Trusts had incurred cumulative net losses as a percentage of the original Contract balance or average delinquency ratios in excess of the predetermined levels specified in the respective Securitization Agreements. Accordingly, pursuant to the Securitization Agreements, the specified levels applicable to the Company's Spread Accounts were increased, in most cases to an unlimited amount. Due to cross collateralization provisions of the Securitization Agreements, the specified levels have been increased on 16 of the Company's 18 remaining Trusts. Until the November 1999 effectiveness of an amendment to the Securitization Agreements, described below, no material releases from any of the Spread Accounts were available to the Company. Upon effectiveness of that amendment, the requisite Spread Account levels in general have been set at 21% of the outstanding principal balance of the Certificates issued by the related Trusts. (Higher percentages are applicable to those Trusts that have amortized to the point that "floor" or minimum levels of credit enhancement are applicable.)

In addition to requiring higher Spread Account levels, the Securitization Agreements provide the Certificate Insurer with certain other rights and remedies, some of which have been waived on a recurring basis by the Certificate Insurer with respect to all of the Trusts. Increased specified levels for the Spread Accounts have been in effect from time to time in the past. As a result of the increased Spread Account specified levels and cross collateralization provisions, excess cash flows that would otherwise have been released to the Company instead were retained in the Spread Accounts to bring the balance of those Spread Accounts up to higher levels. As a result of the increased specified levels applicable to the Spread Accounts, approximately $30.4 million of cash that would otherwise have been available to the Company had been delayed and retained in the Spread Accounts as of March 31, 2000.

The acquisition of Contracts for subsequent sale in securitization transactions, and the need to fund Spread Accounts when those transactions take place, results in a continuing need for capital. The amount of capital required is most heavily dependent on the rate of the Company's Contract purchases (other than flow purchases), the required level of initial credit enhancement in securitizations, and the extent to which the Spread Accounts either release cash to the Company or capture cash from collections on sold Contracts. As noted above, the absence of any significant releases of cash from Spread Accounts since June 1998 had materially impaired the Company's ability to meet such capital requirements. To reduce its capital requirements and to meet those requirements, the Company in November 1998 began to implement a three-part plan: the plan includes (i) issuance of debt and equity securities, (ii) agreements with the Certificate Insurer to reduce the level of initial Spread Account deposits, and to reduce the maximum levels of the Spread Accounts, and (iii) a reduction in the rate of Contract purchases.

As the first step in the plan, the Company in November 1998 and April 1999 issued $25.0 million and $5.0 million, respectively, of subordinated promissory notes (collectively, the "LLCP Notes"), to Levine Leichtman Capital Partners, L.P. ("LLCP"). The LLCP Notes are due in 2004, and bear interest at the rate of 14.5% per annum. Net proceeds received from the issuances were approximately $28.5 million. In conjunction with the LLCP Notes, the Company issued warrants to purchase up to 4,450,000 shares of common stock at $0.01 per share, 3,115,000 and 1,334,000 of which were exercised in April 1999 and May 1999, respectively. The effective cost of this capital represented a material increase in the cost of capital to the Company. As part of the agreements for issuance of the LLCP Notes, Stanwich Financial Services Corp. ("SFSC") agreed to purchase an additional $15.0 million of notes (at least $7.5 million by July 31, 1999, and the remainder by August 31, 1999), and the Company agreed to sell such notes. The chairman and the president of the Company are the principal shareholders of SFSC, and the Company's chairman is the chief executive officer of SFSC. The terms of these transactions were subsequently modified in March 2000, as discussed below.

In March 2000, the Company and LLCP restructured the outstanding indebtedness of the Company in favor of LLCP, which had been in default. In the restructuring (i) all existing defaults were waived or cured, (ii) LLCP lent an additional $16 million ("Tranche A") to the Company, (iii) the proceeds of that loan (net of fees and expenses) were used to repay all of the Company's outstanding senior secured indebtedness, (iv) the outstanding $30 million of subordinated indebtedness in favor of LLCP was exchanged for senior indebtedness ("Tranche B"), (v) the Company granted a blanket security interest in favor of LLCP, to secure both Tranche A and Tranche B, and (vi) LLCP released SFSC and its affiliates (including Mr. Bradley, Sr., Mr. Bradley, Jr., and Mr. Poole, directors of the Company) of any liability for failure to invest $15 million in the Company. Tranche A is due July 2001, and bears interest at 12.50% per annum; Tranche B is due November 2003, and bears interest at 14.50% per annum. In each case the interest rate is subject to increase by 2.0% in the event of a default by the Company. In the restructuring, the Company paid a fee of $325,000, paid accrued default interest of $300,000, issued 103,500 shares of common stock to LLCP, and paid out-of-pocket expenses of approximately $214,000. The shares of common stock issued were valued at approximately $155,000, which is included in deferred interest expense to be amortized over the remaining life of the related debt. The terms of the transaction were determined by negotiation between the Company and LLCP. Also in March 2000, the Company's board of directors authorized the issuance of 103,500 shares of the Company's common stock to SFSC in connection with a $1.5 million promissory note issued by the Company to SFSC in August 1999. The shares of common stock issued were valued at approximately $155,000, which is included in deferred interest expense to be amortized over the remaining life of the related debt.

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The amendment agreement mentioned above (the "Amendment") fixes the amount of cash to be retained in the Spread Accounts for 16 of the Company's 18 remaining securitization Trusts. The amended level is 21% of the outstanding principal balance of the Certificates issued by such Trusts, computed on a pool by pool basis. The 21% level is subject to adjustment to reflect over collateralization. Older Trusts may require more than 21% of credit enhancement if the Certificate balance has amortized to such a level that "floor" or minimum levels of credit enhancement are applicable.

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As a third part of its plan, the Company reduced its planned level of Contract purchases initially to not more than $200.0 million per quarter beginning November 1998, and subsequently to purchasing Contracts only on a flow basis. Since late May 1999, the Company has purchased Contracts from Dealers without use of warehouse lines of credit, in "flow purchase" arrangements with third parties. Under the flow purchase arrangements, the Company purchases Contracts from Dealers and sells such Contracts outright to the third party. For the three month period ending March 31, 2000, the Company purchased $157.6 million of Contracts on a flow basis, compared to $158.0 million of Contracts that were purchased and held for sale during the same period in the prior year. The Company expects to purchase Contracts only on a flow basis in the future until the Company is able to identify appropriate sources of capital to acquire and hold Contracts for the Company's own account.

Purchase of Contracts on a flow basis, as compared with purchase of Contracts for the Company's own account, has materially reduced the Company's cash requirements. The Company's plan for meeting its liquidity needs is (1) to increase the quantity of Contracts that it purchases and sells on a flow basis, thus increasing the fees that it receives in connection with such purchases and sales, and (2) to continue to receive releases of cash from its Spread Accounts, pursuant to the Amendment, which became effective on November 3, 1999. There can be no assurance that this plan will be successful.

The Company's ability to increase the quantity of Contracts that it purchases and sells on a flow basis will be subject to general competitive conditions and other factors. There can be no assurance that the current level of flow production can be maintained or increased. Obtaining releases of cash from the Spread Accounts is dependent on collections from the related Trusts generating sufficient cash in excess of the amended specified levels. There can be no assurance that collections from the related Trusts will generate cash in excess of the amended specified levels.

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

OVERVIEW

Consumer Portfolio Services, Inc. and its subsidiaries (collectively, the "Company") primarily engage in the business of purchasing, selling and servicing retail automobile installment sale contracts ("Contracts") originated by automobile dealers ("Dealers") located throughout the United States. In recent months, the Company has suspended its solicitation of Contract purchases in 20 states, and as of the date of this report is active in 29 states. There can be no assurance as to resumption of Contract purchasing activities in other states. Through its purchase of Contracts, the Company provides indirect financing to Dealer customers with limited credit histories, low incomes or past credit problems, who generally would not be expected to qualify for financing provided by banks or by automobile manufacturers' captive finance companies.

The major components of the Company's revenue are gains or losses recognized on the sale or securitization of its Contracts, servicing fees earned on Contracts sold in securitizations, interest earned on Contracts held for sale, and fees earned upon sale of Contracts that were purchased on a flow basis. Because the servicing fees are dependent in part on the collections received on sold Contracts, the Company's income is affected by losses incurred on Contracts, whether such Contracts are held for sale or have been sold in securitizations.

The Company has purchased Contracts with the primary intention of reselling them in securitization transactions as asset-backed securities. Although the Company has not been able to sell Contracts in a securitization transaction since December 1998, it does plan to securitize in the future, as to which there can be no assurance. The Company's securitization structure has been as follows: First, the Company sells a portfolio of Contracts to a wholly owned subsidiary ("SPS"), which has been established for the limited purpose of buying and reselling the Company's Contracts. The SPS then transfers the same Contracts to either a grantor trust or an owner trust (the "Trust"). The Trust in turn issues interest-bearing asset-backed securities (the "Certificates"), generally in a principal amount equal to the aggregate principal balance of the Contracts. The Company typically sells these Contracts to the Trust at face value and without recourse, except that representations and warranties similar to those provided by the Dealer to the Company are provided by the Company to the Trust. One or more investors purchase the Certificates issued by the Trust; the proceeds from the sale of the Certificates are then used to purchase the Contracts from the Company. The Company purchases a financial guaranty insurance policy, guaranteeing timely payment of principal and interest on the senior Certificates, from an insurance company (the "Certificate Insurer"). In addition, the Company provides a credit enhancement for the benefit of the Certificate Insurer and the investors in the form of an initial cash deposit to an account ("Spread Account") held by the Trust. The agreements governing the securitization transactions (collectively referred to as the "Securitization Agreements") require that the initial deposits to the Spread Accounts be supplemented by a portion of collections from the Contracts until the Spread Accounts reach specified levels, and then maintained at those levels. The specified levels are generally computed as a percentage of the principal amount remaining unpaid under the related Certificates. The specified levels at which the Spread Accounts are to be maintained will vary depending on the performance of the portfolios of Contracts held by the Trusts and on other conditions, and may also be varied by agreement among the Company, the SPS, the Certificate Insurer and the trustee. Such levels have increased and decreased from time to time based on performance of the portfolios, and have also been varied by agreement. The specified levels applicable to the Company's sold pools increased significantly in 1998. Effective November 3, 1999, as applied to monthly measurement dates from September 1999 onward, the specified levels have decreased, as discussed under the heading "Liquidity and Capital Resources."

At the closing of each securitization, the Company removes from its consolidated balance sheet the Contracts held for sale and adds to its consolidated balance sheet (i) the cash received and (ii) the estimated fair value of the ownership interest that the Company retains in Contracts sold in securitization. That retained interest (the "Residual") consists of (a) the cash held in the Spread Account and (b) the net interest receivables ("NIRs"). NIRs represent the estimated discounted cash flows to be received from the Trust in the future, net of principal and interest payable with respect to the Certificates, and certain expenses. The excess of the cash received and the assets retained by the Company over the carrying value of the Contracts sold, less transaction costs, equals the net gain on sale of Contracts recorded by the Company.

The Company allocates its basis in the Contracts between the Certificates and the Residuals retained based on the relative fair values of those portions on the date of the sale. The Company recognizes gains or losses attributable to the change in the fair value of the Residuals, which are recorded at estimated fair value and accounted for as "held-for-trading" securities. The Company is not aware of an active market for the purchase or sale of interests such as the Residuals; accordingly, the Company determines the estimated fair value of the Residuals by discounting the amount and timing of anticipated cash flows released from the Spread Account (the cash out method), using a discount rate that the Company believes is appropriate for the risks involved. For that valuation, the Company has used an effective discount rate of approximately 14% per annum.

The Company receives periodic base servicing fees for the servicing and collection of the Contracts. In addition, the Company is entitled to the cash flows from the Residuals that represent collections on the Contracts in excess of the amounts required to pay principal and interest on the Certificates, the base servicing fees, and certain other fees (such as trustee and custodial fees). At the end of each collection period, the aggregate cash collections from the Contracts are allocated first to the base servicing fees and certain other fees such as trustee and custodial fees for the period, then to the Certificateholders for interest at the pass-through rate on the Certificates plus principal as defined in the Securitization Agreements. If the amount of cash required for the above allocations exceeds the amount collected during the collection period, the shortfall is drawn from the Spread Account. If the cash collected during the period exceeds the amount necessary for the above allocations, and there is no shortfall in the related Spread Account, the excess is released to the Company or in certain cases is transferred to other Spread Accounts that may be below their required levels. Pursuant to certain Securitization Agreements, excess cash collected during the period is used to make accelerated principal paydowns on certain Certificates to create excess collateral (over-collateralization or OC account). If the Spread Account balance is not at the required credit enhancement level, then the excess cash collected is retained in the Spread Account until the specified level is achieved. The cash in the Spread Accounts is restricted from use by the Company. Cash held in the various Spread Accounts is invested in high quality, liquid investment securities, as specified in the Securitization Agreements. Spread Account balances are held by the Trusts on behalf of the Company as the owner of the Residuals.

The annual percentage rate payable on the Contracts is significantly greater than the pass through rate on the Certificates. Accordingly, the Residuals described above are a significant asset of the Company. In determining the value of the Residuals described above, the Company must estimate the future rates of prepayments, delinquencies, defaults and default loss severity as they affect the amount and timing of the estimated cash flows. The Company estimates prepayments by evaluating historical prepayment performance of comparable Contracts. The Company has used a constant prepayment estimate of approximately 4% per annum. The Company estimates defaults and default loss severity using available historical loss data for comparable Contracts and the specific characteristics of the Contracts purchased by the Company. In valuing the Residuals, the Company estimates that losses as a percentage of the original principal balance will range from 14% to 16.5% cumulatively over the lives of the related Contracts.

In future periods, the Company would recognize additional revenue from the Residuals if the actual performance of the Contracts were to be better than the original estimate, or the Company would increase the estimated fair value of the Residuals. If the actual performance of the Contracts were to be worse than the original estimate, then a downward adjustment to the carrying value of the Residuals would be required. Due to the inherent uncertainty of the future performance of the underlying Contracts, the Company during 1998 established a provision for losses on the Residuals.

The Certificate holders and the related securitization trusts have no recourse to the Company for failure of the Contract obligors to make payments on a timely basis. The Company's Residuals are subordinate to the Certificates until the Certificateholders are fully paid.

The structure described above is applicable to securitization transactions conducted at least once quarterly from June 1994 through December 1998. The Company has not sold any Contracts in securitization transactions since December 1998, and there can be no assurance as to when it will next sell Contracts using the structure described above.

Since March 1999, the Company has changed its basic system of doing business. Previously, the Company would acquire Contracts for its own account, borrowing from 88% to 97% of the principal balance of such Contracts under "warehouse" lines of credit. Periodically (approximately once every quarter) the Company would then sell most or all of the recently acquired Contracts in a securitization transaction as described above. In such a sale, the Company would retain (1) a residual ownership interest in the Contracts sold, (2) the obligation to service the Contracts sold, and (3) the right to receive servicing fees. At the end of March 1999, the Company learned that it would be unable to sell Contracts in securitization transactions for an indeterminate period. Accordingly, the Company commenced purchasing Contracts for immediate re-sale to a third party, which third party purchases the Contracts in turn on a daily basis. In this arrangement, the Company retains no residual interest in the Contracts, has no servicing obligation, and receives no servicing fee. For its services in acquiring Contracts for purchase, the Company receives a per-Contract fee from the third party.

RESULTS OF OPERATIONS

The three month period ended March 31, 2000 compared to the three month period ended March 31, 1999

REVENUES. During the three months ended March 31, 2000, revenues decreased $20.5 million, or 98.2%, compared to the three month period ended March 31, 1999. Gain on sale of Contracts increased by $5.9 million, from a loss of $1.6 million to a gain of $4.3 million. The primary reason for the increase is the fees received from selling Contracts on a flow basis. During the three months ended March 31, 2000, the Company sold $154.5 million of Contracts on a flow basis, compared to not selling any Contracts for the same period in the prior year. Those sales resulted in $4.8 million of fees earned. Gain on sale of Contracts is reduced by approximately $110,000 of expenses related to previous securitization transactions, including the amortization of a warrant issued to the Certificate Insurer in November 1998. In addition, for the three month periods ended March 31, 2000 and 1999, the Company charged against gain on sale $400,000 and $1.4 million, respectively, of provision for losses on Contracts held for sale.

Interest income decreased by $23.6 million, from a $14.6 million of interest income to $9.0 million of negative interest income. The primary reason for the decrease is that fewer Contracts are being held for sale. During the three months ended March 31, 1999, the Company held for sale an average of $253.6 million compared to an average of $3.1 million for the three months ended March 31, 2000. In addition to the reduction in interest income earned on Contracts held for sale, residual interest income also decreased from a positive $12.2 million for the three month period ended March 31, 1999, to a negative $4.0 million for the three month period ended March 31, 2000. The reduction in residual interest income is due to the Company not completing a securitization transaction during 1999, or during the three month period ended March 31, 2000. It has been the Company's experience that residual interest income is highest in the early months of a new securitization. Additionally, several of the Trusts are experiencing their peak loss periods or have amortized to such an extent that there is minimal interest spread remaining, the result of which is insufficient interest spread to pay all the obligations of such Trusts and have any residual cash remaining (residual interest income).

Servicing fees decreased by approximately $2.8 million, or 35.7%. The decrease in servicing fees is due to the decrease in the servicing portfolio. As of March 31, 2000, the Company was earning servicing fees on 82,317 sold Contracts with aggregate outstanding principal balances approximating $685.8 million, compared to 119,699 Contracts with aggregate outstanding principal balances approximating $1,219.2 million as of March 31, 1999. In addition to the $685.8 million in sold Contracts, on which servicing fees were earned, the Company was holding for sale and servicing an additional $6.7 million in Contracts, for an aggregate total servicing portfolio at March 31, 2000, of $692.5 million. The Company is not currently acquiring Contracts for its servicing portfolio. In addition, those Contracts that remain in the Company's servicing portfolio are amortizing, and the aggregate principal balance of the servicing portfolio therefore decreases over time. Accordingly, the Company expects that its servicing portfolio will continue to decrease, and that servicing fees to be earned will therefore also decrease, at least through the remainder of 2000, and until such time as the Company is again acquiring Contracts for its own servicing portfolio. There can be no assurance as to when the Company may be able to do so.

EXPENSES. During the three month period ended March 31, 2000, operating expenses decreased $6.6 million, or 26.9%, compared to the three month period ended March 31, 1999. Employee costs decreased by $1.5 million, or 17.6%, and represented 38.0% of total operating expenses. The decrease is due to reductions in staff in accordance with the decrease in the Company's servicing portfolio and originations volume. General and administrative expenses decreased by $2.2 million, or 38.7%, and represented 19.7% of total operating expenses. Occupancy expenses increased $248,000, or 34.9%, and represented 5.4% of total operating expenses. The primary reason for the increase is due to additional property taxes paid on the Company's headquarters building that were not paid in the prior year's period.

Interest expense decreased $2.5 million, or 34.2%, and represented 26.7% of total operating expenses. See "Liquidity and Capital Resources." The decrease is primarily due to the decrease in the Company's warehouse lines of credit and reduction of the principal balance of certain senior secured debt. The warehouse lines of credit were paid in full and terminated in the second and third quarters of 1999. Accordingly, there was no outstanding warehouse indebtedness in the quarter ended March 31, 2000, compared to an outstanding balance of $277.6 million at March 31, 1999. Although senior secured debt increased from $33.0 million at March 31, 1999, to $46.0 million at March 31, 2000, $30.0 million of the balance at March 31, 2000, represents former subordinated debt that was exchanged for senior secured debt in a debt restructuring completed in March 2000, as discussed below in "Liquidity and Capital Resources." Therefore, the comparative decrease in senior secured debt from March 31, 1999, to March 31, 2000, was $17.0 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's business requires substantial cash to support its operating activities. The Company's primary sources of cash from operating activities have been proceeds from the sales of Contracts, amounts borrowed under its various warehouse lines of credit, servicing fees on portfolios of Contracts previously sold, proceeds from the sales of Contracts, customer payments of principal and interest on Contracts held for sale, fees for origination of Contracts, and releases of cash from Spread Accounts. The Company's primary uses of cash have been the purchases of Contracts, repayment of amounts borrowed under its warehouse lines and otherwise, operating expenses such as employee, interest, and occupancy expenses, the establishment of and further contributions to Spread Accounts, and income taxes. As a result, the Company has been dependent on its warehouse lines of credit to purchase Contracts, and on the availability of capital from outside sources in order to finance its continued operations, and to fund the portion of Contract purchase prices not borrowed under warehouse lines of credit. The Company is not presently party to any warehouse line of credit, and did not receive any material releases of cash from Spread Accounts from June 1998 through October 1999. The inability to borrow and the lack of cash releases resulted in a liquidity deficiency, which has been progressively alleviated since the November 1999 re-commencement of releases of cash from Spread Accounts.

The Company has maintained its Contract purchasing program in the absence of any warehouse line of credit by entering into flow purchase arrangements. Flow purchases allow the Company to purchase Contracts while maintaining only an immaterial level of Contracts held for sale. The Company's revenues from flow purchase of Contracts, however, are materially less than may be received by holding Contracts to maturity or by selling Contracts in securitization transactions.

Net cash provided by operating activities was $11.3 million for the three month period ended March 31, 2000, compared to net cash used in operating activities of $4.2 million for the same period in the prior year. Net cash released from Trusts was $18.0 million for the three month period ended March 31, 2000, as compared to net cash deposited into Trusts of $14.6 million for the same period in the prior year.

During the three month periods ended March 31, 2000, and 1999, the Company did not complete a securitization transaction, and therefore, did not use any cash for initial deposits to Spread Accounts. Cash used for subsequent deposits to Spread Accounts for the three month period ended March 31, 2000, was $1.0 million, a decrease of $11.5 million, or 92%, from cash used for subsequent deposits to Spread Accounts for the same period in the prior year. Cash released from Spread Accounts for the three month period ended March 31, 2000, was $19.0 million, as compared with $577,000 for the same period in the prior year. Changes in deposits to and releases from Spread Accounts are affected by the relative size, seasoning and performance of the various pools of sold Contracts that make up the Company's Servicing Portfolio.

Beginning in June 1998, the Company's liquidity was adversely affected by the absence of releases from Spread Accounts. Such releases did not occur because a number of the Trusts had incurred cumulative net losses as a percentage of the original Contract balance or average delinquency ratios in excess of the predetermined levels specified in the respective Servicing Agreements. Accordingly, pursuant to the Servicing Agreements, the specified levels applicable to the Company's Spread Accounts were increased in most cases to an unlimited amount. Due to cross collateralization provisions of the Servicing Agreements, the specified levels have been increased on 16 of the Company's 18 remaining Trusts. Until the November 1999 effectiveness of an amendment to the Servicing Agreement, described below, no material releases from any of the Spread Accounts were available to the Company. Upon effectiveness of that amendment, the requisite Spread Account levels in general have been set at 21% of the outstanding principal balance of the Certificates issued by the related Trusts. (Higher percentages are applicable to those Trusts that have amortized to the point that "floor" or minimum levels of credit enhancement are applicable.)

In addition to requiring higher Spread Account levels, the Servicing Agreements provide the Certificate Insurer with certain other rights and remedies, some of which have been waived on a recurring basis by the Certificate Insurer with respect to all of the Trusts. Increased specified levels for the Spread Accounts have been in effect from time to time in the past. As a result of the increased Spread Account specified levels and cross collateralization provisions, excess cash flows that would otherwise have been released to the Company instead were retained in the Spread Accounts to bring the balance of those Spread Accounts up to higher levels. As a result of the increased specified levels applicable to the Spread Accounts, approximately $30.4 million of cash that would otherwise have been available to the Company had been delayed and retained in the Spread Accounts as of March 31, 2000. A portion of such cash was subsequently released to the Company as discussed below.

The acquisition of Contracts for subsequent sale in securitization transactions, and the need to fund Spread Accounts when those transactions take place, results in a continuing need for capital. The amount of capital required is most heavily dependent on the rate of the Company's Contract purchases (other than flow purchases), the required level of initial credit enhancement in securitizations, and the extent to which the Spread Accounts either release cash to the Company or capture cash from collections on sold Contracts. As noted above, the absence of any significant releases of cash from Spread Accounts since June 1998 had materially impaired the Company's ability to meet such capital requirements. To reduce its capital requirements and to meet those requirements, the Company in November 1998 began to implement a three-part plan: the plan includes (i) issuance of debt and equity securities, (ii) agreements with the Certificate Insurer to reduce the level of initial Spread Account deposits, and to reduce the maximum levels of the Spread Accounts, and (iii) a reduction in the rate of Contract purchases.

As the first step in the plan, the Company in November 1998 and April 1999 issued $25.0 million and $5.0 million, respectively, of subordinated promissory notes (collectively, the "LLCP Notes"), to Levine Leichtman Capital Partners, L.P. ("LLCP"). The LLCP Notes are due in 2004, and bear interest at the rate of 14.5% per annum. Net proceeds received from the issuances were approximately $28.5 million. In conjunction with the LLCP Notes, the Company issued warrants to purchase up to 4,450,000 shares of common stock at $0.01 per share, 3,115,000 and 1,334,000 of which were exercised in April 1999 and May 1999, respectively. The effective cost of this capital represented a material increase in the cost of capital to the Company. As part of the agreements for issuance of the LLCP Notes, Stanwich Financial Services Corp. ("SFSC") agreed to purchase an additional $15.0 million of notes (at least $7.5 million by July 31, 1999, and the remainder by August 31, 1999), and the Company agreed to sell such notes. The chairman and the president of the Company are the principal shareholders of SFSC, and the Company's chairman is the chief executive officer of SFSC. The terms of these transactions were subsequently modified in March 2000, as discussed below.

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In November 1998, as the second step in its plan, the Company reached an agreement with the Certificate Insurer regarding initial cash deposits. In this agreement, the Certificate Insurer committed to insure asset-backed securities issued by the Trusts with respect to at least $560.0 million of Contracts, while requiring an initial cash deposit of 3% of principal. Of the $560.0 million committed, $310.0 million was used in the Company's December 1998 securitization transaction. The Company's agreement with the Certificate Insurer also required that the Company issue to the Certificate Insurer or its designee warrants to purchase 2,525,114 shares of the Company's common stock at $3.00 per share, exercisable through the fifth anniversary of the warrants' issuance. The exercise price of the warrants is subject to certain anti-dilution adjustments.

The amendment agreement mentioned above (the "Amendment") fixes the amount of cash to be retained in the Spread Accounts for 16 of the Company's 18 remaining securitization Trusts. The amended level is 21% of the outstanding principal balance of the Certificates issued by such Trusts, computed on a pool by pool basis. The 21% level is subject to adjustment to reflect over collateralization. Older Trusts may require more than 21% of credit enhancement if the Certificate balance has amortized to such a level that "floor" or minimum levels of credit enhancement are applicable.

In the event of certain defaults by the Company, the specified level applicable to such Spread Accounts could increase to an unlimited amount, but such defaults are narrowly defined, and the Company does not anticipate suffering such defaults. The Amendment by its terms is applicable from September 1999 onward, and on November 3, 1999, the necessary signatures and conditions were satisfied to make the Amendment effective. The Company on November 4, 1999, received its first material release of cash from the securitized portfolio pursuant to the terms of the Amendment. The releases of cash are expected to continue and to vary in amount from month to month. There can be no assurance that such releases of cash will continue in the future.

As a third part of its plan, the Company reduced its planned level of Contract purchases initially to not more than $200.0 million per quarter beginning November 1998, and subsequently to purchasing Contracts only on a flow basis. Since late May 1999, the Company has purchased Contracts from Dealers without use of warehouse lines of credit, in "flow purchase" arrangements with third parties. Under the flow purchase arrangements, the Company purchases Contracts from Dealers and sells such Contracts outright to the third party. For the three month period ending March 31, 2000, the Company purchased $157.6 million of Contracts on a flow basis, compared to $158.0 million of Contracts that were purchased and held for sale during the same period in the prior year. The Company expects to purchase Contracts only on a flow basis in the future until the Company is able to identify appropriate sources of capital to acquire and hold Contracts for the Company's own account.

Purchase of Contracts on a flow basis, as compared with purchase of Contracts for the Company's own account, has materially reduced the Company's cash requirements. The Company's plan for meeting its liquidity needs is (1) to increase the quantity of Contracts that it purchases and sells on a flow basis, thus increasing the fees that it receives in connection with such purchases and sales, and (2) to continue to receive releases of cash from its Spread Accounts, pursuant to the Amendment, which became effective on November 3, 1999. There can be no assurance that this plan will be successful.

The Company's ability to increase the quantity of Contracts that it purchases and sells on a flow basis will be subject to general competitive conditions and other factors. There can be no assurance that the current level of flow production can be maintained or increased. Obtaining releases of cash from the Spread Accounts is dependent on collections from the related Trusts generating sufficient cash in excess of the amended specified levels. There can be no assurance that collections from the related Trusts will generate cash in excess of the amended specified levels.

FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains certain "forward-looking statements," including, without limitation, the statements to the effect that the Company (i) plans to hold Contracts pledged to a warehouse line of credit, and (ii) plans to securitize Contracts in the future. Such plans are dependent on the Company's ability to conclude transactions with third parties, over which third parties the Company has no control.

Specifically, the reader should bear in mind the following considerations: As to entering into a warehouse line of credit, the Company's ability to open such a line of credit and use proceeds thereunder to acquire Contracts is dependent on the willingness of prospective lenders to reach agreement with the Company on the terms and conditions of such a line of credit. Although the Company has identified potential lenders, which have expressed some degree of interest in such transactions, there can be no assurance that mutually acceptable agreements will be reached.

As to future securitizations, there can be no assurance that the Company will have the liquidity or capital resources to enable it to post the reserves required for credit enhancement of such transactions, or that the securitization markets will be receptive at the time that the Company seeks to engage in such transactions.

In addition to the statements identified above, descriptions of the Company's business and activities set forth in this report 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

INTEREST RATE RISK

There have been no significant changes in interest rate risk since December 31, 1999. The Company is not currently issuing interest bearing asset-backed securities nor is it holding any Contracts for sale. All Contracts purchased are sold on a flow basis, for which the Company receives a fee. Therefore, any strategies the Company has used in the past to minimize interest rate risk do not apply currently. Described below are strategies the Company has used in the past to minimize interest rate risk.

The strategies the Company has used in the past to minimize interest rate risk include offering only fixed rate contracts to obligors, regular sales of Contracts to the Trusts, and pre-funding securitizations, whereby the amount of asset-backed securities issued exceeds the amount of Contracts initially sold to the Trusts. In pre-funding, the proceeds from the pre-funded portion are held in an escrow account until the Company sells the additional Contracts to the Trust in amounts up to the balance of the pre-funded escrow account. In pre-funded securitizations, the Company locks in the borrowing costs with respect to the Contracts it subsequently delivers to the Trust. However, the Company incurs an expense in pre-funded securitizations equal to the difference between the money market yields earned on the proceeds held in escrow prior to subsequent delivery of Contracts and the interest rate paid on the asset-backed securities outstanding.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibit is filed as a part of this report:

27 Financial Data Schedule

(b) During the quarter for which this report is filed, the Company filed no reports on Form 8-K.

SIGNATURES

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

CONSUMER PORTFOLIO SERVICES, INC.
(REGISTRANT)

Date: May 15, 2000

/S/ Charles E. Bradley, Jr.

Charles E. Bradley, Jr., President and
Chief Executive Officer
(PRINCIPAL EXECUTIVE OFFICER)

Date: May 15, 2000

/S/ James L. Stock

James L. Stock, Senior Vice President -
Chief Financial Officer
(PRINCIPAL FINANCIAL OFFICER AND PRINCIPAL
ACCOUNTING OFFICER)

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MAR-31-2000
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