

CONSUMER PORTFOLIO SERVICES INC

Form 11-K

June 30, 2003

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2002

OR

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

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

Commission File Number 1-11416

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

Consumer Portfolio Services, Inc. 401(k) Plan

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

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

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REQUIRED INFORMATION

I. Financial Statements.

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

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II. Exhibits:

A Consent of Independent Auditors is filed herewith as Exhibit 23.1.

SIGNATURES

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

Consumer Portfolio Services, Inc. 401(k)Plan

Date: June 30, 2003 By: /s/ DORIS F. WARREN  
Doris F. Warren  
Member, Administrative Committee

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN  
Financial Statements and Supplemental Schedule  
December 31, 2002 and 2001  
(With Independent Auditors' Report Thereon)

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

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

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## INDEPENDENT AUDITORS' REPORT

The Administrator  
Consumer Portfolio Services, Inc. 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Consumer Portfolio Services, Inc. 401(k) Plan (the Plan) as of December 31, 2002 and 2001 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and 2001 and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

/s/ KPMG LLP

Los Angeles, California  
June 24, 2003

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN  
Statements of Net Assets Available for Benefits  
December 31, 2002 and 2001

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	2002	2001
	-----	-----
Investments, at fair value:		
Money market fund	\$ 32,681	\$ 32,316
Guaranteed interest account	344,753	325,238
Mutual funds	1,903,487	2,149,606
Prudential Financial, Inc. common stock	14,473	--
Consumer Portfolio Services, Inc. common stock	804,440	557,726
Participant loans	171,337	135,166
	-----	-----
Total investments	3,271,171	3,200,052
Receivables:		
Proceeds from demutualization	--	15,135
Employee Contributions	18,893	--
	-----	-----
Net assets available for benefits	\$3,290,064	\$3,215,187
	=====	=====

See accompanying notes to financial statements.

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2002 and 2001

	2002	2001
	-----	-----
Additions (reduction) to net assets attributed to:		
Interest	\$ 26,670	\$ 28,659
Dividends	28,202	29,232
Proceeds from demutualization (note 5)	--	15,135
Net depreciation in fair value of investments	(234,628)	(450,367)
	-----	-----
Less investment expenses	(179,756)	(377,341)
	(6,790)	(6,707)
	-----	-----
Contributions:	(186,546)	(384,048)
Employees	711,577	812,807
Employees' individual rollover	10,252	4,028
	-----	-----
Total additions	535,283	432,787
Deductions from net assets attributed to:		
Benefits paid to participants	460,406	483,382
	-----	-----
Net increase (decrease)	74,877	(50,595)
Net assets available for benefits:		
Beginning of year	3,215,187	3,265,782
	-----	-----
End of year	\$ 3,290,064	\$ 3,215,187
	=====	=====

See accompanying notes to financial statements.

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(1) DESCRIPTION OF THE PLAN

(a) GENERAL

The Consumer Portfolio Services, Inc. (the Plan Sponsor or CPS) 401(k) Plan (the Plan) was established as a profit sharing plan with a cash or deferred arrangement on January 1, 1994. The Plan was restated as of January 1, 1996 to permit investment in the Plan Sponsor's common stock without regard to Section 407(a) of ERISA. The following description provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

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

(b) ADMINISTRATION OF THE PLAN

The Plan is administered by the Human Resources Department (the Plan Administrator) of the Plan Sponsor. The Plan Administrator consults with the board of directors and other key management of the Plan Sponsor when managing the operations and the administration of the Plan. The Plan is administered under an agreement which requires that Prudential Investments Retirement Services (Prudential), custodian and recordkeeper, holds, administers, and distributes the funds of the Plan in accordance with the text of the Plan and the instructions of the Plan Administrator or its designees.

(c) CONTRIBUTIONS

All employees of the Plan Sponsor are eligible to participate in the Plan after they have completed 90 days of service. Each year participants may contribute up to 15% of their compensation. Contributions are subject to certain limitations as defined in the Plan. Participants may roll over into the Plan amounts representing distributions from other qualified plans.

The Plan Sponsor may make a discretionary matching contribution equal to 100% of the participant's pretax contributions not to exceed \$600 for the Plan year. Discretionary matching contributions shall be made in the form of the Plan Sponsor's common stock; however, no discretionary contributions were made in 2002 and 2001.

(d) PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions, allocations of the Plan Sponsor's matching

contributions and investment earnings and charged with an allocation of expenses and investment losses. Allocations are based on participant earnings or account balances, as defined. Forfeitures are used to reduce future employer contributions. For the years ended December 31, 2002 and 2001 participant forfeitures totaled \$9,127 and \$34,319, respectively. For the years ended December 31, 2002 and 2001 the balance of forfeiture accounts totaled \$111,769 and \$98,835, respectively.

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(e) VESTING

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

(f) INVESTMENT OPTIONS

Employer contributions are invested in the Plan Sponsor's common stock. Participant contributions may be invested at the participant's direction into the following options:

CPS Stock Fund - The investment allows Plan participants to invest in CPS stock.

Fidelity Advisor Growth Opportunities Fund - The fund normally invests at least 65% of assets in equity securities of companies that management of the fund believes have long-term growth potential. It may also purchase fixed income securities. The fund may invest without limit in foreign securities.

Franklin U.S. Government Securities Fund - The fund invests in U.S. government obligations such as U.S. Treasury Securities and obligations issued by instrumentalities of the U.S. government, especially obligations of the Government National Mortgage Association.

MFS Capital Opportunities Fund - The fund invests primarily in common stocks. It may also hold fixed income securities, but it may not invest more than 25% of assets in debt rated below BBB. The fund may invest up to 50% of assets in foreign securities that are not traded on a U.S. exchange, including emerging markets issues; it may also invest in American Deposit Receipts.

MFS Total Return Fund - The fund generally maintains 40% to 75% of assets in equity securities. It typically invests that balance in debt securities, including up to 20% of assets in debt rated below

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BBB. The fund may invest in foreign securities, including Brady Bonds.

PIMCO Growth Fund - The fund invests primarily in common stocks but it may also invest in convertible securities, U.S. government debt, preferred stocks, and money market instruments. It may invest without limit in foreign securities traded on domestic exchanges, and up to 15% of assets in foreign securities traded principally outside the U.S.

PIMCO Innovation Fund - The fund normally invests at least 65% of its assets in common stock of companies which utilize new, creative, or innovative technologies to gain a strategic competitive advantage in their industry, as well as companies that provide and service these technologies. The fund may also invest in other securities including preferred stock and convertible securities of smaller capitalization companies and in foreign securities, except that it may invest without limit in ADRs.

Prudential Guaranteed Interest Account - The goal of the Guaranteed Interest Account is to provide stable, competitive interest rates based on current market conditions.

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

#### Notes to Financial Statements

December 31, 2002 and 2001

Prudential High Yield Fund - The fund normally invests at least 80% of assets in fixed income securities rated below A, but no lower than B. The average weighted maturity generally ranges between 7 and 12 years. The fund may invest up to 20% of assets in U.S. dollar denominated foreign debt securities and up to 10% of assets in foreign currency denominated debts securities.

Prudential Stock Index Fund - The fund seeks to replicate the performance of the S&P 500 stock index.

Prudential Utility Fund - Seeks current income and capital appreciation through investment in utility company stocks, including electric, gas, telephone, and cable companies.

Prudential Global Growth Fund - Seeks long-term capital appreciation with income as a secondary objective. The fund invests primarily in domestic and foreign common stocks. The fund typically maintains investments in at least four countries, including the United States, but may invest up to 65% of assets in any one country.

#### (g) PARTICIPANTS LOANS

Participants may borrow from their fund accounts. Loan transactions are treated as a transfer to (from) the investment funds. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Plan Administrator. Loans

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are limited to the lesser of \$50,000 reduced by the highest outstanding loan balance during the preceding 12 months or 50% of the participant's vested account balance. Principal and interest are paid ratably through payroll deductions.

Participant loans are included in the statements of net assets available for plan benefits at their outstanding balances, which approximate fair value of the notes. The notes are payable through payroll deductions in installments of principal plus interest at rates of 8.00% - 11.50%, with final payments due between January 2002 and October 2006, and are secured by the participants' vested account balances.

(h) PAYMENTS OF BENEFITS

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

(i) PLAN TERMINATION

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

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

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

(Continued)

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(b) INVESTMENTS

Publicly traded securities are carried at fair value based on the published market quotations. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. The guaranteed investment contract is valued at fair value adjusted for changes in investment value plus credited interest. Participant loans are valued at their outstanding balances, which approximates fair value. Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

(c) ADMINISTRATIVE EXPENSES



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All administrative costs of the Plan are paid by the Plan Sponsor.

(d) USE OF ESTIMATES

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

(e) RISKS AND UNCERTAINTIES

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

(f) CONCENTRATION

Investments in the common stock of Consumer Portfolio Services, Inc. comprise approximately 26% and 17% of the Plan's investments as of December 31, 2002 and 2001, respectively.

(Continued)

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(3) INVESTMENTS

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

	2002	2001
	-----	-----
Investment:		
CPS Stock Fund*	\$ 804,440	\$ 557,726
Fidelity Advisor Growth Opportunities Fund	366,686	410,708
Franklin U.S. Government Securities Fund	192,104	176,609
MFS Capital Opportunities Fund	228,019	319,322
MFS Total Return Fund	176,282	162,450
PIMCO Growth Fund	236,312	287,983
Prudential Stock Index Fund	443,825	506,813
Prudential Guaranteed Interest Account	344,753	325,238
Other investments individually less than 5%	478,750	453,203
	-----	-----
	\$3,271,171	\$3,200,052
	=====	=====

\*Includes both participant and nonparticipant directed investments.

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During 2002 and 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by investment type, as follows:

	2002	2001
	-----	-----
Investment:		
Mutual funds	\$ (514,702)	\$ (402,042)
Common Stocks	280,074	(48,325)
	-----	-----
	\$ (234,628)	\$ (450,367)
	=====	=====

(Continued)

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

#### Notes to Financial Statements

December 31, 2002 and 2001

(4) NONPARTICIPANT-DIRECTED INVESTMENT

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	2002	2001
	-----	-----
Investment:		
CPS common stock	\$ 804,440	\$ 557,726
Prudential Financial, Inc. common stock	14,473	--
	-----	-----
	\$ 818,913	\$ 557,726
	=====	=====
		YEAR ENDED DECEMBER 31, 2002
		-----
Changes in net assets:		
Contributions		\$ 106,286
Net appreciation (depreciation)		280,074
Benefits paid to participants		(39,792)
Transfers to participant-directed investments		(85,381)
		-----
		\$ 261,187
		=====

(5) DEMUTUALIZATION OF THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

On December 18, 2001 The Prudential Insurance Company of America (Prudential Insurance) converted from a mutual life insurance company owned by its policyholders to a stock life insurance company and became an indirect, wholly owned subsidiary of Prudential Financial, Inc (Prudential Financial). On January 2002, as part of the conversion, the Plan received 456 shares of Prudential Financial's common stock. The

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shares received by the Plan represent the compensation to which the Plan was entitled under Prudential Insurance's demutualization plan, which was approved by the state of New Jersey on October 15, 2001. The fair value of the common stock was recorded as a receivable as of December 31, 2001 and upon receipt of the common stock in 2002 as an investment. The common stock is nonparticipant-directed pending its allocation to participant accounts.

(6) TAX STATUS

The Internal Revenue Service has determined and informed the Plan Sponsor by a letter dated February 7, 1996, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

(Continued)

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2002 and 2001

(7) RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Prudential Investments Fund Management, an affiliate of Prudential Investments Retirement Services. Therefore, these transactions qualify as party-in-interest transactions. Fees for the investment management services are paid out of Plan assets. In addition, the Plan held 384,899 and 407,099 shares of common stock of Consumer Portfolio Services, Inc. at December 31, 2002 and 2001, respectively.

(8) SUBSEQUENT EVENT

The Plan changed its custodian and recordkeeper from Prudential to MassMutual Retirement Services (Mass Mutual) during 2003. In addition, the MFN Financial 401(k) plan (the MFN Plan), a plan sponsored by MFN Financial Corporation, a subsidiary of CPS, was merged into the Plan during 2003.

(Continued)

SCHEDULE

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)  
December 31, 2002

IDENTITY OF ISSUER, BORROWER, LESSOR, OR	DESCRIPTION OF INVESTMENT, INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL,
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SIMILAR PARTY	PAR, OR MATURITY VALUE	COST	CURRE
* Consumer Portfolio Services, Inc.	+ common stock - 384,899 shares	\$ 792,347	\$
* Prudential Financial, Inc.	++ common stock - 456 shares	--	
* Prudential Investments	Prudential Guaranteed Interest Account, 344,753 units		
Franklin Advisors	Franklin U.S. Government Securities Fund, 27,444 units		
Fidelity Management and Research	Fidelity Advisors Growth Opportunities Fund, 16,525 units		
MFS Investment Management	MFS Capital Opportunities Fund, 24,413 units		
MFS Investment Management	MFS Total Return Fund, 13,284 units		
PIMCO Advisors	PIMCO Growth Fund, 15,435 units		
PIMCO Advisors	PIMCO Innovation Fund, 3,348 units		
* Prudential Investments	Prudential High Yield Fund, 8,480 units		
* Prudential Investments	Prudential Stock Index Fund, 22,644 units		
* Prudential Investments	Prudential Utility Fund, 8,683 units		
* Prudential Investments	Prudential Global Growth Fund, 11,986 units		
* Prudential Investments	Prudential Government Securities Money Market, 32,681 units		
* Participant loans	Participant loans; interest rate between 5.75% and 11.50%; maturing between February 2003 and October 2012		

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\$ 3,  
=====

- \* Denotes a party in interest.
- + Includes both participant and nonparticipant directed investments.
- ++ Non-participant directed investments pending allocation to participant accounts

See accompanying independent auditors' report.