

CONSUMER PORTFOLIO SERVICES INC

Form 11-K

June 28, 2002

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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, 2001

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 27, 2002 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, 2001 and 2000  
(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

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regulations issued by the Department of Labor.

## 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, 2001 and 2000 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, 2001 and 2000 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) as of December 31, 2001 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

Orange County, California  
June 14, 2002

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

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## Statements of Net Assets Available for Benefits

December 31, 2001 and 2000

	2001	2000
Investments, at fair value:		
Money market fund	\$ 32,316	60,366
Guaranteed interest account	325,238	174,395
Mutual funds	2,149,606	2,305,506
Consumer Portfolio Services, Inc. common stock	557,726	567,839
Participant loans	135,166	157,676
	3,200,052	3,265,782
Receivables - proceeds from demutualization	15,135	--
	\$3,215,187	3,265,782
	\$3,215,187	3,265,782

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, 2001 and 2000

	2001	2000
Additions (reduction) to net assets attributed to:		
Interest	\$ 28,659	21,976
Dividends	29,232	170,611
Proceeds from demutualization (note 5)	15,135	--
Net depreciation in fair value of investments	(450,367)	(509,760)
	(377,341)	(317,173)
Less investment expenses	(6,707)	(10,060)
	(384,048)	(327,233)
Contributions:		
Employer	--	136,666
Employees	812,807	880,967
Employees' individual rollover	4,028	8,189
	432,787	698,589
Deductions from net assets attributed to:		
Benefits paid to participants	483,382	470,879

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	-----	-----
Net (decrease) increase	(50,595)	227,710
Net assets available for benefits:		
Beginning of year	3,265,782	3,038,072
	-----	-----
End of year	\$ 3,215,187	3,265,782
	=====	=====

See accompanying notes to financial statements.

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(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.

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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 2001. The Plan Sponsor determined and made a discretionary contribution in the first quarter of 2000.

### (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 reallocated to other Plan participants who contributed to the Plan in the Plan year of allocation. Reallocations shall be made on a pro rata basis, based on each participant's pretax contributions for the Plan year. For the years ended December 31, 2001 and 2000 participant forfeitures totaled \$57,438 and \$27,236, respectively.

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(Continued)

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

### Notes to Financial Statements

December 31, 2001 and 2000

### (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

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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 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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(Continued)

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2001 and 2000

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.

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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 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.

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

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

(b) INVESTMENTS



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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

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.

(3) INVESTMENTS

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

	2001	2000
	-----	-----
Investment:		
CPS Stock Fund*	\$ 557,726	567,839
Fidelity Advisor Growth Opportunities Fund	410,708	442,703
Franklin U.S. Government Securities Fund	176,609	180,361
MFS Capital Opportunities Fund	319,322	374,958
MFS Total Return Fund	162,450	--
PIMCO Growth Fund	287,983	292,998
Prudential Stock Index Fund	506,813	577,542
Prudential Guaranteed Interest Account	325,238	174,395
Other investments individually less than 5%	453,203	654,986
	-----	-----
	\$3,200,052	3,265,782
	=====	=====

\*Includes both participant and nonparticipant directed investments

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2001 and 2000

During 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$450,367 and \$509,760, respectively, as follows:

2001	2000
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Investment:		
Mutual funds	\$ (402,042)	(270,981)
CPS common stock	(48,325)	(238,779)
	-----	-----
	\$ (450,367)	(509,760)
	=====	=====

(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:

	2001	2000
	-----	-----
Investment:		
CPS common stock	\$ 557,726	567,839

YEAR ENDED  
DECEMBER 31, 2001  
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Changes in net assets:		
Contributions		\$ 118,032
Net depreciation		(48,325)
Benefits paid to participants		(33,054)
Transfers to participant-directed investments		(46,766)
		-----
		\$ (10,113)
		=====

(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). As part of the conversion, the Plan received 456 shares of Prudential Financial's common stock. The 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.

(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.

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CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(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 407,099 and 395,018 shares of common stock of Consumer Portfolio Services, Inc. at December 31, 2001 and 2000, respectively.

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SCHEDULE

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN  
 Schedule H, Line 4i - Schedule of Assets (Held at End of Year)  
 December 31, 2001

IDENTITY OF ISSUER, BORROWER, LESSOR, OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT, INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR, OR MATURITY VALUE	COST
-----	-----	-----
* Consumer Portfolio Services, Inc.	+ 407,099 shares common stock	\$ 792,347
* Prudential Investments	Prudential Guaranteed Interest Account, 325,238 units	
Franklin Advisors	Franklin U.S. Government Securities Fund, 25,858 units	
Fidelity Management and Research	Fidelity Advisors Growth Opportunities Fund, 14,281 units	
MFS Investment Management	MFS Capital Opportunities Fund, 23,777 units	
MFS Investment Management	MFS Total Return Fund, 11,219 units	
PIMCO Advisors	PIMCO Growth Fund, 13,314 units	
PIMCO Advisors	PIMCO Innovation Fund, 2,222 units	
* Prudential Investments	Prudential High Yield Fund, 5,473 units	
* Prudential Investments	Prudential Stock Index Fund, 19,836 units	
* Prudential Investments	Prudential Utility Fund, 6,731 units	
* Prudential Investments	Prudential Global Growth Fund,	

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	10,447 units
* Prudential Investments	Prudential Government Securities Money Market, 32,316 units
* Participant loans	Participant loans; interest rate between 8.00% and 11.50%; maturing between January 2002 and October 2006

\* Denotes a party in interest.

+ Includes both participant and nonparticipant directed investments.

See accompanying independent auditors' report.