CONSUMER PORTFOLIO SERVICES INC
Form 11-K
June 28, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2003

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

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 the report of independent registered public accounting firm thereon, are filed herewith.

II. Exhibits:

A Consent of Independent Registered Public Accounting Firm 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 28, 2004

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, 2003 and 2002

(With Report of Independent Registered Public Accounting Firm Thereon)

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2003 and 2002 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2003 and 2002 and the changes in net assets available for benefits for the years then ended in conformity with United States generally accepted accounting principles.

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

June 28, 2004

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN

Statements of Net Assets Available for Benefits
December 31, 2003 and 2002

	2003	2002
Investments, at fair value:		
Money market fund	$ --	32,681
Guaranteed interest account	1,517,379	344,753
Mutual funds	4,961,240	1,903,487
Prudential Financial, Inc. common stock	--	14,473
Consumer Portfolio Services, Inc. common stock	1,337,314	804,440
Participant loans	261,039	171,337
Total investments	8,076,972	3,271,171
Receivables:		
Employee contributions	16,391	18,893
Payables:		
Excess contributions refundable	(3,672)	--
Net assets available for benefits	$ 8,089,691	3,290,064

See accompanying notes to financial statements.

2

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN
Statements of Changes in Net Assets Available for Benefits
Years ended December 31, 2003 and 2002

	2003	2002
Additions (reduction) to net assets attributed to:		
Interest	$ 11,634	26,670
Dividends	3,249	28,202
Net appreciation (depreciation) in fair value of investments	1,933,486	(234,628)
	1,948,369	(179,756)
Investment expenses	(57,378)	(6,790)
	1,890,991	(186,546)
Contributions:		
Employees	803,110	711,577
Employer	297,665	--
Employees' individual rollover	19,821	10,252
Transferred in from a merged Plan (Note 1)	3,293,882	--
Total additions	6,305,469	535,283
Deductions from net assets attributed to:		
Benefits paid to participants	1,505,842	460,406
Net increase	4,799,627	74,877
Net assets available for benefits:		
Beginning of year	3,290,064	3,215,187

End of year	$ 8,089,691	$ 3,290,064

See accompanying notes to financial statements.

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN
Notes to Financial Statements
December 31, 2003 and 2002

(1) DESCRIPTION OF THE PLAN

The following description of the Consumer Portfolio Services, Inc. (the Plan Sponsor or CPS) 401(k) Plan (The Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

(a) GENERAL

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. Effective January 1, 2003, the Plan Sponsor adopted the Mass Mutual Life Insurance Company Flexinvest(R) Prototype Non-Standardized 401(k) Profit Sharing Plan.

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.

During 2002 and through March 4, 2003, the Plan was managed by the Prudential Insurance Company of America. As of March 4, 2003, the Plan is operated under an agreement which requires that Mass Mutual Retirement Saving (Mass Mutual), custodian and record keeper, holds and distributes the funds of the Plan in accordance with tht text of the Plan and the instructions of the Plan Administrator or its designees.

(c) CONTRIBUTIONS

Through December 31, 2002, all employees of the Plan Sponsor, except for employees covered by a collective bargaining agreement and nonresident aliens, were eligible to participate in the Plan after they have completed three months of service. During 2002, participants could contribute up to 15% of their compensation. Effective January 1, 2003, employees are eligible to participate in the Plan after completing 90 days of service. In accordance with the Plan, participants may contribute up to 50% of their annual compensation.

Contributions are subject to certain limitations as defined in the Plan as well as a maximum of $12,000 and $11,000 for the years ended December 31, 2003 and 2002, respectively under the Internal Revenue Code of 1986. 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 a discretionary percentage of the participant's pretax contributions. Discretionary matching contributions were $297,665 and $0 for the years ended December 31, 2003 and 2002, respectfully.

(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.

(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

The Plan offers various investment options which are managed by several outside investment managers. Upon enrollment in the Plan, participants may direct their contributions, in any of the investment options offered at the time. Participants may change their investment options daily. Participants should refer to the Plan fund description pamphlet for a complete description of the investment options and for the detailed composition of each investment fund.

(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 5.00% - 11.50%, with final payments due between January 2003 and December 2008, 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) FORFEITED ACCOUNTS

Through December 31, 2002, forfeitures were applied to reduce any employer contribution. Effective January 1, 2003, forfeitures attributable to matching contributions will be applied first to reduce expenses related to the administration of the Plan and then toward any employer contributions. As of December 31, 2003 and 2002 the balance of forfeited accounts totaled $163,784 and $111,769, respectively.

(j) 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.

(k) PLAN MERGERS

The board of directors approved a merger of the MFN Financial Corporation Retirement Savings Plan into the Plan. The sponsor of the MFN Financial Corporation Retirement Saving Plan is MFN Financial Corporation, a subsidiary of Consumer Portfolio Services, Inc. Assets of $3,292,882 were transferred into the Plan on February 12, 2003.

(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

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. 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.

Realized gains and losses on investments are based on the market value of the asset at the beginning of the year or at the time of purchase for assets purchased during the year and the related fair value on the day the investments are sold during the year.

(c) ADMINISTRATIVE EXPENSES

The Plan and the plan sponsor share in plan expenses. Certain direct investment expenses such as loan, withdrawal or distribution processing fees are deducted from participants' accounts.

(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 are 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 risk 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 17% and 25% of the Plan's investments as of December 31, 2003 and 2002, respectively.

(3) INVESTMENTS

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

	2003	2002
Investment:		
MM Guaranteed Interest Account	1,517,379	--
Main Street (Oppenheimer)	642,986	--
MM Aggressive Growth (Sands Cap)	627,463	--
MM Blue Chip Growth (Fidelity)	453,227	--
MM Fundamental Val (Wellington)	445,127	--
MM Indexed Equity	807,979	--
CPS Stock	1,337,314	804,440
Fidelity Advisor Growth Opportunities Fund	--	366,686
Franklin U.S. Government Securities Fund	--	192,104
MFS Capital Opportunities Fund	--	228,019
MFS Total Return Fund	--	176,282
PIMCO Growth Fund	--	236,312
Prudential Stock Index Fund	--	443,825
Prudential Guaranteed Interest Account	--	344,753
Other investments individually less than 5%	2,245,497	478,750
	$8,076,972	3,271,171

*Includes both participant and nonparticipant directed investments.

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN
Notes to Financial Statements
December 31, 2003 and 2002

During 2003 and 2002, 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:

	2003	2002
Investment:		
Mutual funds	$ 1,222,306	(514,702)
Common stocks	711,180	280,074
	$ 1,933,486	(234,628)

(4) NONPARTICIPANT-DIRECTED INVESTMENT

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

	2003	2002
Investment:		
CPS common stock	$1,337,314	804,440
Prudential Financial, Inc. common stock	--	14,473
	$1,337,314	818,913

YEAR ENDED

	December 31, 2003	December 31, 2002
Changes in net assets:		
Contributions	$ 95,110	106,286
Net appreciation	711,180	280,074
Benefits paid to participants	(75,990)	(39,792)
Transfers to participant-directed investments	--	(85,381)
	$ 730,300	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). In January 2002, 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. 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 and was allocated to participant accounts in 2003.

(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.

(7) SUBSEQUENT EVENT

Effective January 1, 2004, The Finance Company 401(k) Plan, a plan sponsored by The Finance Company, a subsidiary of Consumer Portfolio Services, Inc. was merged into the Plan.

CONSUMER PORTFOLIO SERVICES, INC. 401(k) PLAN
Schedule H, Line 4i Schedule of Assets (Held at End of Year)
December 31, 2003

	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.	+	Common stock 384,899 shares	$ 792,347	
	Mass Mutual		MM Aggressive Journey, 251 units		
	Mass Mutual		MM Conservative Journey, 1,563 units		
	DLB SmCO Opportunities (Babson)		DLB SmCO Opportunities (Babson), 94 units		
	Fidelity Investments		Fidelity Dividend Growth Fund, 192 units		
	Fidelity Investments		Fidelity Fund, 406 units		
	Oppenheimer Investments		Oppenheimer Global Fund, 1,186 units		
	Mass Mutual		MM Guaranteed Interest Fund		
	High Yield (Oppenheimer)		Oppenheimer High Yield Fund, 792 units		
	Mass Mutual		Holding Account Unallocated		
	Int'l New Discovery (MFS)		International New Discovery (MFS), 814 units		
	Janus Investments		JCC Balanced (Janus), 3,392 units		
	Oppenheimer Investments		Oppenheimer Main Street Growth and Income Growth Fund, 6,917 units		
	Mid Cap Core Equity (Aim)		Mid Cap Core Equity (Aim), 59 units		
	Mass Mutual		MM Aggressive Growth (Sands Cap), 12,622 units		
	Mass Mutual		MM Blue Chip Growth (Fidelity), 5,435 units		
	Mass Mutual		MM Fundamental Value (Wellington), 4,391 units		
	Mass Mutual		MM Growth Equity (MFS), 3,732 units		
	Mass Mutual		Mass Mutual Indexed Equity Fund, 9,713 units		
	Mass Mututal		MM Inflation-Protected Bond, 305 units		
	Mass Mutual		MM OTC 100, 2,883 units		
	Mass Mutual		MM Total Return Bond (PIMCO), 2,886 units		
	Mass Mutual		MM Moderate Journey, 2,265 units		
	Mass Mutual		MM Ultra Aggressive Journey, 142 units		
*	Participant loans		Participant loans: interest rate between 5.00% and 11.50%; maturing between January 2004 and October 2012		
					$

* Denotes a party in interest.

\+ Includes both participant and nonparticipant directed investments.

See accompanying independent auditors report.