

CONSUMER PORTFOLIO SERVICES INC
Form DEF 14A
May 29, 2007

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

- Check the appropriate box:
 Preliminary Proxy Statement
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CONSUMER PORTFOLIO SERVICES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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- No fee required.
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Dated Filed:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

OF

CONSUMER PORTFOLIO SERVICES, INC.

16355 Laguna Canyon Road, Irvine California 92618

Phone: 949-753-6800

The annual meeting of the shareholders of Consumer Portfolio Services, Inc. (the "Company") will be held at 10:00 a.m., local time, on Tuesday, June 26, 2007 at the Company's principal executive offices, 16355 Laguna Canyon Road, Irvine, California for the following purposes:

- To elect the Company's entire Board of Directors for a one-year term.
- To ratify the appointment of McGladrey & Pullen, LLP as the Company's independent auditors for the fiscal year ending December 31, 2007.
- To approve an amendment to the Company's 2006 Long-Term Equity Incentive Plan, which increases the number of shares issuable from 1,500,000 to 3,000,000.

· To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on Friday, April 27, 2007 are entitled to notice of and to vote at the meeting.

Whether or not you expect to attend the meeting in person, please complete, date, and sign the enclosed proxy exactly as your name appears thereon and promptly return it in the envelope provided, which requires no postage if mailed in the United States. Proxies may be revoked at any time and, if you attend the meeting in person, your executed proxy will be returned to you upon request.

By Order of the Board of Directors

Mark Creatura, Secretary

Dated: May 24, 2007

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CONSUMER PORTFOLIO SERVICES, INC.

16355 Laguna Canyon Road

Irvine, California 92618

949-753-6800

**PROXY STATEMENT FOR
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 26, 2007**

INTRODUCTION

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Consumer Portfolio Services, Inc. (the "Company" or "CPS") for use at the annual meeting of the shareholders to be held at 10:00 A.M. local time on Tuesday, June 26, 2007 at the Company's principal executive offices, 16355 Laguna Canyon Road, Irvine, California 92618, and at any adjournment thereof (the "Annual Meeting").

All shares represented by properly executed proxies received in time will be voted at the Annual Meeting and, where the manner of voting is specified on the proxy, will be voted in accordance with such specifications. Any shareholder who executes and returns a proxy may revoke it at any time prior to the voting of the proxy by giving written notice to the Secretary of the Company, by executing a later-dated proxy, or by attending the meeting and giving oral notice of revocation to the Secretary of the Company.

The Board of Directors of the Company has fixed the close of business on April 27, 2007, as the record date for determining the holders of outstanding shares of the Company's Common Stock, without par value ("CPS Common Stock") entitled to notice of, and to vote at the Annual Meeting. On that date, there were 21,564,183 shares of CPS Common Stock issued and outstanding. Each such share of CPS Common Stock is entitled to one vote on all matters to be voted upon at the meeting, except that holders of CPS Common Stock have the right to cumulative voting in the election of directors, as described herein under the heading "Voting of Shares."

The notice of the Annual Meeting, this proxy statement and the form of proxy are first being mailed to shareholders of the Company on or about May 25, 2007. The Company will pay the expenses incurred in connection with the solicitation of proxies. The proxies are being solicited principally by mail. In addition, directors, officers and regular employees of the Company may solicit proxies personally or by telephone, for which they will receive no payment other than their regular compensation. The Company will also request brokerage houses, nominees, custodians and fiduciaries to forward soliciting material to the beneficial owners of Common Stock of the Company and will reimburse such persons for their expenses so incurred.

PROPOSAL NO. 1 - ELECTION OF DIRECTORS

Nominations

The individuals named below have been nominated for election as directors of the Company at the Annual Meeting, and each has agreed to serve as a director if elected. The entire board of directors of the Company is elected annually. Directors serve until the next annual meeting of shareholders and until their successors are duly elected and qualified.

The names of the nominees, their principal occupations, and certain other information regarding them set forth below are based upon information furnished to the Company by them.

Charles E. Bradley, Jr., 47, has been the President and a director of the Company since its formation in March 1991, and was elected Chairman of the Board of Directors in July 2001. Mr. Bradley has been the Company's Chief Executive Officer since January 1992. From April 1989 to November 1990, he served as Chief Operating Officer of Barnard and Company, a private investment firm. From September 1987 to March 1989, Mr. Bradley, Jr. was an associate of The Harding Group, a private investment banking firm. Mr. Bradley does not currently serve on the board of directors of any other publicly-traded companies.

E. Bruce Fredrikson, 69, has been a director of the Company since March 2003. He is a Professor of Finance, Emeritus, at Syracuse University's Martin J. Whitman School of Management, where he taught from 1966 to 2003. Mr. Fredrikson has published numerous papers on accounting and finance topics. He is also the non-executive chairman of the board of directors of Track Data Corporation and a director of Colonial Commercial Corp.

Brian J. Rayhill, 44, has been a director of the Company since August 2006. Mr. Rayhill has been a practicing attorney in New York State since 1988.

William B. Roberts, 69, has been a director of the Company since its formation in March 1991. Since 1981, he has been the President of Monmouth Capital Corp., an investment firm that specializes in management buyouts.

John C. Warner, 59, was elected as a director of the Company in April 2003. Mr. Warner was chief executive officer of O'Neill Clothing, a manufacturer and marketer of apparel and accessories, from 1996 until his retirement in May 2005.

Gregory S. Washer, 45, has been president of Clean Fun Promotional Marketing LLC, a promotional marketing company, since its founding in 1986. He has not held any position with the Company prior to the date of this proxy statement.

Daniel S. Wood, 48, has been a director of the Company since July 2001. Mr. Wood was president of Carclo Technical Plastics, a manufacturer of custom injection moldings, until his retirement in April 2006. He now serves as a consultant to that company. Previously, from 1988 to September 2000, he was the chief operating officer and co-owner of Carrera Corporation, the predecessor to the business of Carclo Technical Plastics.

The Board of Directors has established an Audit Committee, a Compensation and Stock Option Committee, and a Nominating Committee. Each of these three committees operates under a written charter, adopted by the Board of Directors of the Company. The charters are available on the Company's website, www.consumerportfolio.com. The Board of Directors has concluded that each member of these three committees (every director other than Mr. Bradley, the Company's chief executive officer), and also the nominee Mr. Washer, is independent in accordance with the director independence standards prescribed by Nasdaq, and has determined that none of them have a material relationship with the Company that would impair the independence from management or otherwise compromise the ability to act as an independent director.

The members of the Audit Committee are E. Bruce Fredrikson (chairman) and John C. Warner. The Audit Committee is empowered by the Board of Directors to review the financial books and records of the Company in consultation with the Company's accounting and auditing staff and its independent auditors and to review with the accounting staff and independent auditors any questions that may arise with respect to accounting and auditing policy and procedure.

The Board of Directors has further determined that Mr. Fredrikson has the qualifications and experience necessary to serve as an "audit committee financial expert" as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC. Such qualifications and experience are described above in this section.

The members of the Compensation and Stock Option Committee are Daniel S. Wood (chairman) and William B. Roberts. This Committee makes determinations as to general levels of compensation for all employees of the Company and the annual salary of each of the executive officers of the Company, and administers the Company's compensation plans. Those plans include the Company's 1997 Long-Term Stock Incentive Plan, the Executive Management Bonus Plan, and the CPS 2006 Long-Term Equity Incentive Plan.

The members of the Nominating Committee are Brian J. Rayhill (chairman), Mr. Fredrikson, and Mr. Wood. Nominations for board positions are made on behalf of the Board of Directors by the nominating committee. Because neither the Board of Directors nor its Nominating Committee has received recommendations from shareholders as to nominees, the Board of Directors and the Nominating Committee believe that it is and remains appropriate to operate without a formal policy with regard to any director candidates who may in the future be recommended by shareholders. The nominating committee would consider such recommendations.

When considering a potential nominee, the nominating committee considers the benefits to the Company of such nomination, based on the nominee's skills and experience related to managing a significant business, the willingness and ability of the nominee to serve, and the nominee's character and reputation.

Shareholders who wish to suggest individuals for possible future consideration for board positions, or to otherwise communicate with the Board of Directors, should direct written correspondence to the corporate secretary at the Company's principal executive offices, indicating whether the shareholder wishes to communicate with the nominating committee or with the Board of Directors as a whole. The present policy of the Company is to forward all such correspondence to the designated members of the Board of Directors. There have been two changes in the procedures regarding shareholder recommendations in the past year: first, the Board of Directors established a nominating committee for the first time in October 2006 and, second, shareholders are now requested to address their communications to "corporate secretary" rather than to "the Board of Directors," in order to ensure appropriate handling of any such communications.

Section 16(a) Beneficial Ownership Reporting Compliance

Directors, executive officers and holders of in excess of 10% of the Company's common stock are required to file reports concerning their transactions in and holdings of equity securities of the Company. Based on a review of reports filed by each such person, and inquiry of each regarding holdings and transactions, the Company believes that all reports required with respect to the year 2006 were timely filed, except that Mr. Rayhill filed two reports late, one report relating to his initial holdings, and the other (one day late) relating to one transaction.

Code of Ethics

The Company has adopted a Code of Ethics for Senior Financial Officers, which applies to the Company's chief executive officer, chief financial officer, controller and others. A copy of the Code of Ethics may be obtained at no charge by written request to the Corporate Secretary at the Company's principal executive offices.

Meetings of the Board

The Board of Directors held five meetings (including regular and special meetings) and acted three times by written consent during 2006. The Audit Committee met four times during 2006, including at least one meeting per quarter to review the Company's financial statements, and did not act by written consent, while the Compensation and Stock Option Committee met four times during 2006 and did not act by written consent. The nominating committee was created in October 2006, and met for the first time in 2007. Each nominee attended at least 75% of the meetings of the Board of Directors and its committees that such individual was eligible to attend in 2006. The Company does not have a policy of encouraging directors to attend or discouraging directors from attending its annual meetings of shareholders. Other than Mr. Bradley, no directors attended last year's annual meeting of shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES ABOVE.

3

PROPOSAL NO. 2 - RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has appointed the accounting firm of McGladrey & Pullen, LLP ("McGladrey") to be the Company's independent auditors for the year ending December 31, 2007. McGladrey was the Company's principal auditor for the preceding year, ended December 31, 2006.

A proposal to ratify that appointment will be presented to shareholders at the Annual Meeting. If the shareholders do not ratify the selection of McGladrey at the Annual Meeting, the Audit Committee will consider selecting another firm of independent public accountants. Representatives of McGladrey are expected to be present at the Annual Meeting. Such representatives will have an opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from shareholders in attendance.

Information relating to the fees billed by McGladrey to the Company appears below.

Audit Fees

The aggregate fees billed by McGladrey for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2006, for the review of the financial statements included in the Company's quarterly reports on Form 10-Q filed in 2006 and for services that are normally provided by the auditor in connection with statutory or regulatory filings or engagements were \$1,169,900.

The aggregate fees billed by McGladrey for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2005, for the review of the financial statements included in the Company's quarterly reports on Form 10-Q filed in 2005, and for services that are normally provided by the auditor in connection with statutory or regulatory filings or engagements were \$518,000.

Audit-Related Fees

The aggregate fees billed by McGladrey for audit-related services for the fiscal years ended December 31, 2006 and 2005 were \$16,255 and \$136,000, respectively. These professional services were rendered in conjunction with the Company's securitization and financing transactions, the audit of the MFN Financial Corporation benefit plan, and consultations concerning financial accounting and reporting standards.

Tax Fees

The aggregate fees billed by McGladrey for tax services in the fiscal years ended December 31, 2006 and 2005 were \$514,905 and \$346,025, respectively. Tax services provided by McGladrey consisted of preparation of various State and Federal income tax returns for the Company and its subsidiaries.

All Other Fees

No other fees were billed by McGladrey in the last fiscal years ended December 31, 2006 and December 31, 2005.

The Audit Committee acts pursuant to a written charter adopted by the Board of Directors. Pursuant to the charter, the Audit Committee pre-approves the audit and permitted non-audit fees to be paid to the independent auditor, and authorizes on behalf of the Company the payment of such fees, or refuses such authorization. The Audit Committee has delegated to its chairman and its vice-chairman the authority to approve performance of services on an interim basis. In the fiscal years ended December 31, 2006 and December 31, 2005, all services for which audit fees or audit related fees were paid were preapproved by the Audit Committee as a whole, or pursuant to such delegated authority.

In the course of its meetings, the Audit Committee has considered whether the provision of the non-audit fees outlined above is compatible with maintaining the independence of the respective audit firms, and has concluded that such independence is not impaired.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF MCGLADREY & PULLEN, LLP.

4

PROPOSAL NO. 3 - AMENDMENT OF 2006 LONG-TERM EQUITY INCENTIVE PLAN

The Board of Directors proposes that the shareholders approve an amendment (the "Amendment") to the Company's 2006 Long-Term Equity Incentive Plan (the "Plan"). The Amendment would increase the maximum number of shares issuable under the Plan from 1,500,000 to 3,000,000.

The Board believes that stock options are essential to attract and retain the most talented personnel available for positions of substantial responsibility, to encourage ownership of the Common Stock by employees of the Company and its subsidiaries, and to promote the Company's success by providing both rewards for exceptional performance and long-term incentives for future contributions. The Board of Directors believes that the number of shares currently available for issuance will be insufficient to achieve the purposes of the Plan unless additional shares are authorized. On April 26, 2007 the Board voted to amend the Plan (the "Amendment") by increasing by 1,500,000 the total number of shares available for issuance under the Plan, and directed that the Amendment be submitted to the shareholders for approval. The Board recommends that the shareholders approve the Amendment, in order to allow the Company to continue to offer stock options to key employees and directors as part of its overall compensation package.

The number of shares of Common Stock reserved for issuance under the Plan prior to the proposed Amendment is 1,500,000. Of such shares, approximately 1,487,500 have been made the subject of outstanding valid options. It should be noted that the Company previously maintained a 1991 Stock Option Plan (the "1991 Plan"), under which a total of 2,654,870 shares were issued to directors, officers and other employees, and a 1997 Long-Term Incentive Plan (the "1997 Plan"), under which a total of 2,651,920 shares were issued to directors, officers and other employees. An aggregate of 4,113,949 shares may be issued in the future upon exercise of options outstanding under the 1991 Plan and the 1997 Plan. The 1991 Plan and 1997 Plan have expired, and therefore no new grants can be made under those plans.

Description of the Plan

The Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights and stock awards (as those terms are described below) to employees and directors of the Company and its subsidiaries. The Company has 849 employees and five non-employee directors, all of whom are eligible to participate in the Plan; however, based on past practice and present policy, it would be reasonable to expect that it will be the Company's managerial and officer employees (47 individuals) and non-employee directors who will receive awards under the Plan. From the inception of the Plan in 2006 to the present, no awards other than stock options have been granted under the Plan, and there are no current plans to issue any awards other than stock options.

The Board or a Committee of the Board consisting of two or more non-employee directors may administer the Plan. Currently, the Compensation Committee of the Board administers the Plan. The Board or the Committee has authority to administer and interpret the Plan and to determine the form and substance of agreements, instruments and guidelines for the administration of the Plan. The Board or the Committee has authority to determine the employees and directors to be granted stock options under the Plan and to determine the size, type and applicable terms and conditions of such grants.

Because the employees and directors who may receive stock option grants and the amount of such grants are determined by the Board or the Committee from time to time, it is not possible to state the names or positions of, or the number of options that may be granted to, such employees and directors of the Company and its subsidiaries. However, it can reasonably be anticipated that each person nominated for election as a director at the Annual Meeting, and each executive officer of the Company, may at some time in the future receive grants under the Plan. The maximum number of shares of Common Stock that may subject to awards granted to any one individual over the life of the Plan is 500,000.

The Board or the Committee is authorized to establish, at the time each grant is made, the time or times at which stock options may be exercised and whether all of the stock options become exercisable at one time or in increments over time. The exercise price of stock options is set by the Board or the Committee at the time of the granting of an option, and will not be less than the fair market value of such shares at the time of grant. It is anticipated that awards will be granted in consideration of the recipients' continued service with the Company. In the event of a stock dividend, stock split, reverse stock split or similar capital adjustment, the Plan provides for appropriate adjustments to the number of shares reserved for issuance pursuant to the exercise of stock options, the number of stock options previously granted and the exercise price of stock options previously granted.

The closing price of the Company's Common Stock on the Nasdaq Stock Exchange LLC on May 23, 2007, was \$6.13 per share, and the additional 1,500,000 shares to be authorized for issuance under the Plan thus have an aggregate market value of \$9,195,000.

The term of stock options granted under the Plan may not be more than ten (10) years from the date of grant. Options expire upon the earliest to occur of (i) three months following termination of employment, (ii) immediately upon the discharge of an optionee for misconduct that is willfully or wantonly harmful to the Company or any subsidiary, (iii) twelve months after an optionee's death or disability that renders the optionee incapable of continuing employment, (iv) upon the expiration date specified in the optionee's grant agreement, or (v) ten years after the date of grant.

The aggregate exercise price of options may be paid in cash or by cashier's check, or otherwise as provided in specific option agreements. Unless otherwise provided by the Board or the Committee administering the Plan, awards granted under the Plan may not be transferred by the optionee or by operation of law other than (i) by will of or by the laws of descent and distribution applicable to a deceased optionee, or (ii) pursuant to a domestic relations order.

The Plan and all rules, guidelines and regulations adopted with respect thereto may be terminated, suspended, modified or amended at any time by action of the Board or the Committee, provided, however, that any increase in the number of shares reserved for issuance pursuant to options granted under the Plan must be approved by the shareholders of the Company. The Board or the Committee may amend the terms and conditions of outstanding stock options as long as such amendments do not (i) adversely affect the holders of such stock options without such holders' consent, (ii) change the length of the term of such stock options or (iii) change the provisions of such stock options so that they are not permitted under the Plan.

Federal Income Tax Consequences Relating to the Plan

The federal income tax consequences of an optionee's participation in the Plan are complex and subject to change. The following discussion is a summary of the general rules applicable to stock options. Recipients of stock options under the Plan should consult their own tax advisors because a taxpayer's particular situation may be such that some variation of the general rules would apply.

Incentive Stock Options

Incentive stock options qualify for favorable tax treatment for the optionee under Section 422 of the Internal Revenue Code of 1986 as amended (the "Code"). Nonqualified stock options are any stock options that do not qualify as "incentive stock options" and will not qualify for any special tax benefits to the optionee. The federal income tax consequences of an employee's participation in the Plan are discussed below.

Optionees will not recognize any income upon either the grant or the exercise of incentive stock options and the Company may not take a deduction for federal tax purposes with respect to such grant or exercise. Upon the sale of the shares of Common Stock obtained through the exercise of incentive stock options by the optionee, the tax treatment to the optionee and the Company will depend primarily upon whether the optionee has met certain holding period requirements at the time he or she sells the shares. In addition, as discussed below, the exercise of incentive stock options may subject the optionee to alternative minimum tax liability.

If an optionee exercises incentive stock options and does not dispose of the shares received within two years after the date of the grant of such stock options or within one year after the issuance of the shares to him or her, any gain realized upon disposition will be characterized as long-term capital gain. In such case, the Company will not be entitled to a federal tax deduction. If the optionee disposes of the shares either within two years after the date that the options are granted or within one year after the issuance of the shares to him or her, such disposition will be treated as a disqualifying disposition and an amount equal to the lesser of (i) the fair market value of the shares on the date of exercise minus the exercise price, or (ii) the amount realized on the disposition minus the exercise price, will be taxed

as ordinary income to the optionee in the taxable year in which the disposition occurs. The excess, if any, of the amount realized upon disposition over the fair market value at the time of the exercise of the stock options will be treated as long-term capital gain if the shares have been held for more than one year following the exercise of the stock options. In the event of a disqualifying disposition, the Company may withhold income taxes from the optionee's compensation with respect to the ordinary income realized by the optionee as a result of the disqualifying disposition.

The exercise of incentive stock options may subject an optionee to alternative minimum tax liability because the excess of the fair market value of the shares at the time incentive stock options are exercised over the exercise price of the stock options is included in income for purposes of the alternative minimum tax, even though it is not included in the taxable income for purposes of determining the regular tax liability of an optionee. Consequently, an optionee may be obligated to pay alternative minimum tax in the year he or she exercises incentive stock options.

In general, there will be no federal income tax deductions allowed to the Company upon the grant, exercise, or termination of incentive stock options. However, in the event an optionee sells or disposes of stock received upon the exercise of incentive stock options in a disqualifying disposition, the Company is entitled to a deduction for federal income tax purposes in an amount equal to the ordinary income, if any, recognized by the optionee upon disposition of the shares, provided that the deduction is not otherwise disallowed under the Code.

Nonqualified Stock Options

Nonqualified stock options granted under the Plan do not qualify for any special tax benefits to the optionee. An optionee will not recognize any taxable income at the time he or she is granted nonqualified stock options. Upon the exercise of nonqualified stock options, however, the optionee will recognize ordinary income for federal tax purposes measured by the excess of the then fair market value of the shares acquired over the aggregate option exercise price. The income realized by the optionee will be subject to income tax withholding by the Company out of the current earnings paid to the optionee. If such earnings are insufficient to pay the tax, the optionee will be required to make a direct payment to the Company for tax liability.

The optionee's basis for determination of gain or loss upon the subsequent disposition of shares acquired upon the exercise of nonqualified stock options will be the amount paid for such shares plus any ordinary income recognized as a result of the exercise of such stock options. Upon a disposition of any shares acquired pursuant to the exercise of nonqualified stock options, the difference between the aggregate sale price and the optionee's basis in the shares will be treated as a capital gain or loss and will be characterized as long-term capital gain or loss if the shares have been held for more than one year at the date of their disposition.

In general, there will be no federal tax consequences to the Company upon the grant or termination of nonqualified stock options or a sale or disposition of the shares acquired upon the exercise of nonqualified stock options. Upon the exercise of nonqualified stock options, however, the Company will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income that an optionee is required to recognize as a result of the exercise, provided that the deduction is not otherwise disallowed under the Code.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE AMENDMENT OF THE PLAN.

INFORMATION REGARDING THE COMPANY

EXECUTIVE COMPENSATION

The following table summarizes all compensation earned during the three fiscal years ended December 31, 2006, 2005, and 2004 by the Company's chief executive officer, by its chief financial officer, and by the three other most highly compensated individuals (such five individuals, the "named executive officers") who were serving in such positions or as executive officers at any time in 2006.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Option Awards (1)	All Other Compensation (2)	Total
Charles E. Bradley, Jr. President & Chief Executive Officer	2006	\$780,000	\$1,250,000	\$305,136	\$ 1,850	\$2,336,986
	2005	735,000	1,000,000	458,240	1,600	2,194,840
	2004	700,000	700,000	555,840	1,600	1,957,440
Jeffrey P. Fritz Sr. Vice President - Accounting & Chief Financial Officer (3)	2006	276,000	258,000	152,568	1,844	688,412
	2005	240,000	197,000	281,430	1,552	719,982
	2004	87,500	70,000	178,416	60,902	396,818
Curtis K. Powell Sr. Vice President - Originations & Marketing	2006	283,000	209,000	152,568	1,850	646,418
	2005	270,000	208,000	124,500	1,600	604,100
	2004	252,000	177,000	46,320	1,600	476,920
Robert E. Riedl Sr. Vice President - Finance & Chief Investment Officer (4)	2006	281,000	253,000	152,568	1,850	688,418
	2005	255,000	209,000	176,810	1,594	642,404
	2004	240,000	144,000	185,280	1,576	570,856
Chris Terry Sr. Vice President - Asset Recovery	2006	274,000	269,000	152,568	1,822	697,390
	2005	203,000	191,000	281,347	1,463	676,810
	2004	162,000	125,000	46,320	1,367	334,687

(1) Represents the dollar value of accrued for financial accounting purposes in connection with the grant of such options

(2) Amounts in this column represent (a) any Company contributions to the Employee Savings Plan (401(k) Plan), and (b) premiums paid by the Company for group life insurance, as applicable to the named executive officers. Company contributions to the 401(k) Plan were \$1000 per individual in 2004 and 2005, and \$1250 in 2006.

(3) Mr. Fritz became an executive officer in August 2004, and was named chief financial officer in April 2006. The amount shown under "All other compensation" includes \$59,782 paid to him for consulting services provided in 2004 prior to his becoming an employee and officer of the Company.

(4) Mr. Riedl became an executive officer in January 2003, was chief financial officer from August 2003 to April 2006, and was named chief investment officer in April 2006.

Grants of Plan-Based Awards in Last Fiscal Year

The Company in the year ended December 31, 2006, did not grant any stock awards or stock appreciation rights to any of the named executive officers. The Company has from time to time granted options to substantially all of its management and marketing employees, and did so in October 2006. The following table provides information on grants of plan-based awards in 2006 to the named executive officers, all of which were included in the October grant. Each of the options reported in the table below becomes exercisable as to 20% of the total number of underlying shares on the first through fifth anniversaries of the grant date, and expires on the tenth anniversary.

8

Grants of Plan-Based Awards

Name	Grant date	Number of shares underlying options	Exercise or base price of option awards	Grant date fair value of stock and option awards
Charles E. Bradley, Jr.	October 25, 2006	80,000	\$6.85	\$305,136
Curtis K. Powell	October 25, 2006	40,000	\$6.85	\$152,568
Robert E. Riedl	October 25, 2006	40,000	\$6.85	\$152,568
Jeffrey P. Fritz	October 25, 2006	40,000	\$6.85	\$152,568
Chris Terry	October 25, 2006	40,000	\$6.85	\$152,568

Outstanding Equity Awards at Fiscal Year-end

The following table sets forth as of December 31, 2006 the number of unexercised options held by each of the named executive officers, the number of shares subject to then exercisable and unexercisable options held by such persons and the exercise price and expiration date of each such option. Each option referred to in the table was granted under the Company's 1991 Stock Option Plan, 1997 Long-Term Equity Incentive Plan or 2006 Long-Term Equity Incentive Plan, at an option price per share no less than the fair market value per share on the date of grant. None of such individuals holds a stock award.

	Number of shares underlying unexercised options		Number of shares underlying unexercised options		Option exercise price (\$/share) Option expiration date	
	(#) exercisable		(#) unexercisable			
Charles E. Bradley, Jr.	11,100		0	\$0.625		October 29, 2009
	250,000		0	1.75		September 21, 2010
	83,333		0	1.75		September 21, 2010
	83,333		0	2.50		January 17, 2011
	83,333		0	4.25		January 17, 2011
	185,000		0	1.50		July 23, 2012
	40,000		0	2.64		July 17, 2013
	240,000		0	4.00		April 26, 2014
	120,000		0	5.04		May 16, 2015
	40,000		0	6.00		December 30, 2015
	0	80,000		6.85		October 25, 2016
Jeffrey P. Fritz	80,000		0	4.25		November 12, 2014
	80,000		0	5.04		May 16, 2015
	20,000		0	6.00		December 30, 2015
	0	40,000		6.85		October 25, 2016
Curtis K. Powell	10,000		0	1.75		September 21, 2010
	10,000		0	2.50		January 17, 2011
	10,000		0	4.25		January 17, 2011
	25,000		0	1.50		July 23, 2012
	20,000		0	2.64		July 17, 2013
	20,000		0	4.00		April 26, 2014

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20,000	0	5.04	May 16, 2015
20,000	0	6.00	December 30, 2015
0	40,000	6.85	October 25, 2016

	Number of shares		Option exercise	
	underlying unexercised options (#) exercisable	underlying unexercised options (#) unexercisable	price (\$/share)	Option expiration date
Robert E. Riedl	75,000	0	1.92	February 3, 2013
	20,000	0	2.64	July 17, 2013
	80,000	0	4.00	April 26, 2014
	40,000	0	5.04	May 16, 2015
	20,000	0	6.00	December 30, 2015
	0	40,000	6.85	October 25, 2016
Chris Terry	5000	0	1.75	September 21, 2010
	5000	0	2.50	January 17, 2011
	5000	0	4.25	January 17, 2011
	27,500	0	1.50	July 23, 2012
	30,000	0	1.92	February 3, 2013
	20,000	0	2.64	July 17, 2013
	20,000	0	4.00	April 26, 2014
	20,000	0	5.04	May 16, 2015
	46,000	0	6.00	December 30, 2015
0	40,000	6.85	October 25, 2016	

Option Exercises in Last Fiscal Year

The following table provides information regarding stock options exercised, and the value realized upon exercise, by the named executive officers during 2006.

Name	Number of shares acquired on exercise	Value realized on exercise (1)
Charles E. Bradley, Jr.	0	0
Curtis K. Powell	20,000	\$123,350
Robert E. Riedl	0	0
Jeffrey P. Fritz	0	0
Chris Terry	0	0

(1) Amounts reflect the difference between the exercise price of the stock option and the market price of the underlying Common Stock at the time of exercise.

Bonus Plan

The named executive officers and other officers participate in an executive management bonus plan (the "EMB Plan"). The compensation appearing in the Summary Compensation Table above the caption "bonus" is paid pursuant to such plan. The EMB Plan is administered by the Compensation Committee of the Board. Among other things, the Compensation Committee selects participants in the EMB Plan from among the Company's executive officers and determines the performance goals, target amounts and other terms and conditions of awards under the EMB Plan. The Compensation Committee's approach to determining individual bonus awards pursuant to the EMB plan is discussed

further in the “Compensation Discussion and Analysis” section of this proxy statement.

Pension Plans

The company's officers do not participate in any pension or retirement plan, other than a tax-qualified defined contribution plan (commonly known as a 401(k) plan).

10

Director Compensation

During the year ended December 31, 2006, the Company changed its policy of compensation of directors. Through September, the Company continued its prior policy of paying all directors, excluding Mr. Bradley, a retainer of \$2,500 per month and an additional fee of \$1,000 *per diem* for attendance at meetings of the board. The two directors who chaired the Audit Committee and the Compensation Committee received an additional monthly retainer of \$500. Mr. Bradley received no additional compensation for his service as a director. Effective October 2006, the Company paid all non-employee directors a retainer of \$3,000 per month, with an additional fee of \$500 per month for service on a board committee (\$1,000 for a committee chairman), and made that policy applicable to the newly created Nominating Committee, as well as to the Audit and Compensation Committees. The policy on *per diem* fees was not changed. Pursuant to the Company's policy that is applicable to all of its non-employee members, the Board on October 25, 2006, issued options with respect to 20,000 shares to each non-employee director. All such options are exercisable at \$6.85 per share, the exercise price being the closing price on the date of grant. Mr. Rayhill had previously, in connection with his joining the board, received options with respect to 50,000 shares, at an exercise price of \$6.50 per share, which was the closing price on the date of grant.

Name of Director	Fees Earned or Paid in Cash		Option Awards (2)	Total
	(1)			
Charles E. Bradley, Jr. (3)	0		0	0
E. Bruce Fredrikson	\$45,000		\$31,274	\$76,774
John E. McConnaughy	\$37,500		\$31,274	\$68,774
John G. Poole	\$38,500		\$31,274	\$69,774
Brian J. Rayhill	\$41,500		\$105,464	\$146,964
William B. Roberts	\$37,500		\$31,274	\$68,774
John C. Warner	\$37,000		\$31,274	\$68,274
Daniel S. Wood	\$46,500		\$31,274	\$77,774

(1) This column reports the amount of cash compensation earned in 2006 for Board and committee service.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2006 fiscal year for the fair value of stock options granted to the directors in 2006. The fair value was estimated using the Black-Scholes option-pricing model in accordance with SFAS 123R. The weighted average fair value per option was \$1.54, based on assumptions of 2.0 years expected life, expected volatility of 33.7%, expected dividend yield of 0.0%, and a risk-free rate of 4.80%.

(3) Mr. Bradley's compensation as chief executive officer of the Company is described elsewhere in this report. He received no additional compensation for service on the Company's Board of Directors.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation and Stock Option Committee throughout the fiscal year ended December 31, 2006 were Daniel S. Wood (chairman), John E. McConnaughy, Jr. and William B. Roberts. This Committee makes determinations as to general levels of compensation for all employees of the Company and the annual salary of each of the executive officers of the Company, and administers the Company's compensation plans. Those plans include the Company's 1997 Long-Term Stock Incentive Plan, the Executive Management Bonus Plan, and the CPS 2006 Long-Term Equity Incentive Plan. None of the members of the committee is or has been an officer or employee of

the Company or any of its subsidiaries. None of our executive officers has served as a member of the board of directors or compensation committee of any entity for which a member of our board of directors or Compensation and Stock Option Committee served as an executive officer.

Compensation Discussion and Analysis

The Company's objectives with respect to compensation are several. The significant objectives are to cause compensation (i) to be sufficient in total amount to provide reasonable assurance of retaining key executives, (ii) to include a significant contingent component, so as to provide strong incentives to meet designated Company objectives, and (iii) to include a significant component tied to the price of the Common Stock, so as to align management's incentives with shareholder interests. The compensation committee ("Committee") of the Company's Board of Directors is charged with administering compensation plans to meet those objectives. To the extent that elements of compensation would not advance such objectives, or would do so less effectively than would other elements, the Committee seeks to avoid paying compensation in those forms.

With respect to the retention objective, the Committee considers an executive's base salary to be the most critical component. Acting primarily on the basis of recommendations of the chief executive officer, the Committee adjusts other officers' base salaries annually, with the adjustment generally consisting of a 3% to 10% increase from the prior year's rate. Where exceptional circumstances apply, such as recruitment of a new executive officer, a promotion to executive officer status or a special need to retain an individual officer, the chief executive officer may recommend, and the Committee may approve, a larger increase.

To encourage executive officers and key management personnel to exercise their best efforts and management skills toward achieving designated specific objectives, the Company has implemented an annual payout bonus plan. Under the Company's bonus plan as applied to the year ended December 2006, executive officers of the Company other than its chief executive officer were eligible to receive a cash bonus of up to 100% of their base salaries. The chief executive officer in the first quarter of 2006 proposed designated specific objectives with respect to each named executive officer, and the Committee, after making certain modifications, set those objectives. In January and February of 2007, the Committee evaluated achievement of the objectives, and authorized payment of a specific bonus to each named executive officer. Factors used in determining the amount of bonus are whether the executive and his department have met individual objectives set by the chief executive officer, whether the Company as a whole has met or exceeded budget targets, whether certain objectives for the individual and for the management group as a whole have been met, and a subjective evaluation of the officer's performance. Numerical scores are assigned to each of these factors, and weighed pursuant to a formula that can result in a maximum bonus of 100% of base compensation.

Applying the above principles, the Committee in January 2007 approved bonus compensation to the named executive officers, other than the chief executive officer, of from 74% to 98% of their respective base salaries for the year ended December 31, 2006. The variation in the percentages awarded is generally reflective of the extent to which the named executive officers met their individual and department objectives.

The Committee also awards incentive and non-qualified stock options under the Company's stock option plans. Such awards are designed to assist in the retention of key executives and management personnel and to create an incentive to create shareholder value over a sustained period of time. The Company believes that stock options are a valuable tool in compensating and retaining employees. During the year ended December 31, 2006, the Committee granted stock options to the Company's executive officers. All such grants were awarded in October 2006, and all carry exercise prices equal to the market price for the Company's common stock at the date of grant. The terms of such options are described above, under the caption "Grants of Plan-Based Awards in Last Fiscal Year." The numbers of shares made subject to each of the option grants were based on various factors relating to the responsibilities of the individual officers and to the extent of previous grants to such individuals.

Because the exercise price of all options granted is equal to or above the fair market value of the Company's common stock on the date of grant, the option holders may realize value only if the stock price appreciates from the price on the date the options were granted. This design is intended to focus executives on the enhancement of shareholder value over the long term.

In exercising its discretion as to the level of executive compensation and its components, the Committee considers a number of factors. Members of the Committee conduct informal surveys of compensation paid to comparable executives within and without the consumer finance industry. The Committee finds these data useful primarily in evaluating the overall level of compensation paid or to be paid to the Company's executive officers. Financial factors considered with respect to the year ended December 31, 2006 included the Company's increases in earnings, revenue and originations, and its having increased its servicing portfolio. Most important, the Committee noted that the Company met and exceeded its budget objectives for the year. Operational factors considered included individual and group management goals; indicators of the performance and credit quality of the Company's servicing portfolio, including levels of delinquencies and charge-offs; and indicators of successful management of personnel, including employee stability. All of such factors are assessed with reference to the judgment of the Committee as to the degree of difficulty of achieving desired outcomes. With respect to payment of annual bonuses and grants of stock options, the Committee also takes note of factors relating to the degree of the Company's success over the most recent year.

The Company also maintains certain broad-based employee benefit plans, such as medical and dental insurance, and a qualified defined contribution retirement savings plan (401(k) plan), in which executive officers are permitted to participate. Such officers participate on the same terms as non-executive personnel who meet applicable eligibility criteria, and are subject to any legal limitations on the amounts that may be contributed or the benefits that may be payable under the plans. The Company does not maintain any form of defined benefit pension or retirement plan in which executive officers may participate, nor does it maintain any form of supplemental retirement savings or supplemental deferred compensation plan.

Except as otherwise specifically noted, the principles discussed in this section regarding compensation and its components apply to all of the Company's executive officers, including its chief executive officer and also to executive officers other than the named executive officers. The Company's general approach in setting the annual compensation of its chief executive officer is to set that officer's base compensation by reference to his base rate for the preceding year, to pay an annual bonus that is reflective of the quality of that officer's performance during the year, and to grant significant equity incentives, to date in the form of stock options, intended to align the officer's interests with those of the shareholders. During the year ended December 2006, the Company's chief executive officer, Charles E Bradley, Jr., received \$780,000 in base salary. In setting that rate in January 2006, the Committee considered the base salary rate that the Company had paid in the prior year (\$735,000), the desirability of providing an annual increase (which in this case was approximately 6%), the desirability of ensuring retention of the services of the Company's incumbent chief executive officer, and the levels of chief executive officer compensation prevailing among other financial services companies.

The Company's policy regarding cash bonuses paid to its chief executive officer has been similar to its policy regarding cash bonuses for other executive officers, except that the Committee exercises a greater degree of discretion with respect to award of a bonus to the chief executive officer than it exercises with respect to bonuses paid to other executive officers.

The Committee in January 2007 reviewed the Company's and the chief executive officer's performance in 2006, compared the performance with the objectives set at the beginning of 2006, and approved bonus compensation for its chief executive officer in the amount of \$1,250,000, representing 160% of that executive's base salary for the year ended December 31, 2006. In determining the appropriate levels of cash and equity compensation, the Committee considered the Company's financial performance, the performance of CPS common stock as compared with broad equity indices, its success in the securitization market, and the levels of compensation paid to chief executives of other financial services companies. The Committee also considered the extent to which the chief executive had met his individual management goals, which included tiered targets for the Company's overall budget, increasing the Company's purchases of receivables, obtaining equity analyst coverage, decreasing operating expenses, meeting the Company's capital requirements, improving the terms of the Company's warehouse financing facilities, management of risks, and succession planning.

The Committee's award of stock options to the Company's officers in October 2006 included an option grant to the chief executive officer. In determining the appropriate level of such grant, the Committee considered the long-term performance of the chief executive officer and the desirability of providing significant incentive for future performance, as well as the desirability of ensuring that officer's continued retention by the Company, and the various factors noted above with respect to option grants generally.

The Committee has from time to time considered providing additional elements of executive compensation. It has considered elements such as restricted stock awards, compensation contingent on a change in control, defined benefit pension plans, deferred cash compensation, and supplemental retirement plans (supplemental in the sense that they exceed the limits for tax advantaged treatment). To date, the Committee has elected not to pay compensation in such forms, having determined that the Company's objectives are better met by one or more of the elements of compensation that it does pay. Regarding restricted stock units, the Committee has noted that any form of equity equivalent to or closely tied to common stock does serve to meet the objective of aligning officers' personal interest

with that of the shareholders generally. The Committee believes, however, that the objective is better met by grants of stock options than by grants of share equivalents, because recipients of the grants will face the same degree of variance in results at a lesser cost to the Company, when option grants are compared to grants of restricted stock units. Regarding compensation that would be payable contingent on a change in control of the Company, the Committee believes that there are certain legitimate objectives to be met by such contingent compensation. As of the date of this report, however, no such contingent compensation plans are in place. Regarding defined benefit pension plans, deferred cash compensation and supplemental retirement plans, the Committee believes that the Company's retention objective is better met by straight cash payments, whether in the form of base salary or in the form of bonus compensation. The Committee may in the future revisit its conclusions as to any of the components discussed above, or may consider other forms of compensation.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with CPS management the Compensation Discussion and Analysis contained in this report. Based on such review and discussions and relying thereon, we have recommended to the Company's Board of Directors that the Compensation Discussion and Analysis set forth above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

THE COMPENSATION COMMITTEE

Daniel S. Wood (chairman)

William B. Roberts

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table on the following page sets forth the number and percentage of shares of CPS Common Stock (its only class of voting securities) owned beneficially as of the record date (April 27, 2007), by (i) each person known to CPS to own beneficially more than 5% of the outstanding Common Stock, (ii) each director, nominee or named executive officer of CPS, and (iii) all directors, nominees and executive officers of CPS as a group. Except as otherwise indicated, and subject to applicable community property and similar laws, each of the persons named has sole voting and investment power with respect to the shares shown as beneficially owned by such persons. Except as otherwise noted, each person named in the table has a mailing address at 16355 Laguna Canyon Road, Irvine, CA 92618.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Class
	(1)	(2) (3)	
Charles E. Bradley, Jr.	3,229,677	(2) (3)	15.0%
E. Bruce Fredrikson	96,000		*
Brian J. Rayhill	90,000		*
William B. Roberts	914,107		4.2
John C. Warner	80,000		*
Gregory S. Washer	26,000		*
Daniel S. Wood	107,000		*
Jeffrey P. Fritz	180,000		*
Curtis K. Powell	308,305		1.4
Robert E. Riedl	237,993		1.1
Chris Terry	221,070	(2)	1.0
All directors, nominees and executive officers combined (14 persons)	5,963,452	(2) (4)	27.7
Levine Leichtman Capital Partners II, L.P., 335 North Maple Drive, Suite 240, Beverly Hills, CA 90210	3,681,861	(5)	17.1
Millennium Management, L.L.C., 666 Fifth Avenue, New York, NY 10103	1,527,762		7.1

* Less than 1.0%

- (1) Includes certain shares that may be acquired within 60 days after April 27, 2007 from the Company upon exercise of options, as follows: Mr. Bradley, Jr., 1,136,099 shares; Mr. Fredrikson, 80,000 shares; Mr. Rayhill, 70,000 shares; Mr. Roberts, 20,000 shares; Mr. Warner, 80,000 shares, Mr. Wood, 60,000 shares; Mr. Fritz, 180,000 shares; Mr. Powell, 125,000 shares; Mr. Riedl, 235,000 shares; and Mr. Terry, 178,500 shares. The calculation of beneficial ownership also includes, in the case of the executive officers, an approximate number of shares each executive officer could be deemed to hold through contributions made to the Company's Employee 401(k) Plan (the "401(k) Plan"). The 401(k) Plan provides an option for all participating employees to indirectly purchase stock in the Company through buying units in a mutual fund. Each "unit" in the mutual fund represents an interest in Company stock, cash and cash equivalents.
- (2) Includes shares pledged as security by the named person, with respect to 1,140,000 shares of Mr. Bradley, 28,900 shares of Mr. Terry, and an aggregate of 37,400 shares of two executive officers other than those named in the table above.
- (3) Includes 495,540 shares held by trusts of which Mr. Bradley is the co-trustee, and as to which shares Mr. Bradley has shared voting and investment power. The co-trustee, who has shared voting and investment power as to all such shares (representing 2.3% of outstanding shares), is Kimball Bradley, whose address is 11 Stanwix Street, Pittsburgh, PA 15222.
- (4) Includes 2,464,099 shares that may be acquired within 60 days after April 27, 2007, upon exercise of options and conversion of convertible securities.
- (5) Comprises 3,680,861 issued shares and 1,000 shares that are issuable upon exercise of an outstanding warrant.

The table below presents information regarding securities authorized for issuance under equity compensation plans, including the CPS 2006 Long-Term Equity Incentive Plan, as of December 31, 2006.

Number of Securities to be Issued Upon Exercise of	Weighted-Average Exercise Price of	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities)

Plan Category	Outstanding Options	Outstanding Options	reflected in first column)
Plans approved by stockholders	4,863,654	\$ 3.38	165,261
Plans not approved by stockholders	None	N/A	N/A
Total	4,863,654	\$ 3.38	165,261

15

Audit Committee Report

The Audit Committee reviews the Company's financial reporting process on behalf of the Board and meets at least once per quarter to review the Company's financial statements. The Audit Committee acts pursuant to a written charter adopted by the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process. The Company's independent auditors are responsible for expressing an opinion on the conformity of the Company's audited financial statements to accounting principles generally accepted in the United States of America.

In this context, the Audit Committee reviewed and discussed with management and the independent auditors the audited financial statements for the year ended December 31, 2006 (the "Audited Financial Statements"). The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, the Audit Committee has received from the independent auditors the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from the Company. Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the Securities and Exchange Commission.

The Audit Committee members do not serve as professional accountants or auditors and their functions are not intended to duplicate or to certify the activities of management and the independent auditors. The Committee serves a board-level oversight role where it receives information from, consults with, and provides its views and directions to, management and the independent auditors on the basis of the information it receives and the experience of its members in business, financial and accounting matters. Pursuant to the terms of its charter, the Audit Committee approves the engagement of auditing services and permitted non-audit services including the related fees and general terms. Mr. Fredrikson, a nominee for re-election to the Board of Directors, is considered by the Board of Directors to have the qualifications and experience necessary to serve as an "audit committee financial expert." A summary of his background is contained in this proxy statement under "Proposal No. 1 - Election of Directors."

THE AUDIT COMMITTEE

E. Bruce Fredrikson (chairman)

John C. Warner

CERTAIN TRANSACTIONS

Levine Leichtman. At December 31, 2005, the Company was indebted to Levine Leichtman Capital Partners II, L.P. ("LLCP") in the amount of \$40.0 million. Such debt comprised three parts, represented by the "Term D Note," "Term E Note" and "Term F Note," respectively. The basic terms of such indebtedness are set forth in the table below. LLCP is also the holder of in excess of 10% of the outstanding common shares of CPS.

On May 28, 2004 and June 25, 2004, the Company borrowed \$15 million and \$10 million, respectively, from LLCP. The indebtedness, represented by the "Term E Note," and the "Term F Note," respectively, bears interest at

11.75% per annum. Both the originally were to mature two years from their respective funding dates. In May 2006, the Company agreed with LLCP to extend the maturity dates of Term E Note and the Term F Note to May 31, 2007. The Company paid LLCP fees equal to \$500,000 for this amendment.

Note	Principal amount	Interest rate	Date due prior to May 2006 amendments	Date due after May 2006 amendments
Term D Note	\$15,000,000	11.75%	December 18, 2006	December 18, 2006
Term E Note	\$15,000,000	11.75%	May 27, 2006	May 31, 2007
Term F Note	\$10,000,000	11.75%	June 24, 2006	May 31, 2007

The Term D Note, due December 18, 2006, was paid on that date. The Term F Note was paid on May 23, 2007. In connection with that payment, the Company agreed with LLCP to modify the terms for repayment of the Term E Note. Those modifications were (i) the maturity date of the Term E Note is extended to August 31, 2007, with half of its outstanding balance (\$7,500,000) due July 31, 2007, and (ii) the interest rate on the Term E Note is increased to 13.00% per annum. No fees were paid in connection with those modifications.

All of the Company's indebtedness to LLC is secured by a blanket security interest in favor of LLC. The terms of the transactions between the Company and LLC were determined by negotiation.

CPS Leasing. The Company holds 80% of the outstanding shares of the capital stock of CPS Leasing, Inc. ("CPSL"). The remaining 20% of CPSL is held by Charles E. Bradley, Jr., who is the President and a director of the Company. CPSL engaged in the equipment leasing business, and is currently in the process of liquidation as its leases come to term. CPSL financed its purchases of the equipment that it leases to others through either of two lines of credit. Amounts borrowed by CPSL under one of those two lines of credit have been guaranteed by the Company. As of December 31, 2005, both lines of credit had been paid. The Company has also financed the operations of CPSL by making operating advances and by advancing to CPSL the fraction of the purchase prices of its leased equipment that CPSL did not borrow under its lines of credit. The aggregate amount of advances made by the Company to CPSL as of December 31, 2006, is approximately \$575,000. The advances related to operations bear interest at the rate of 8.5% per annum. The advances related to the fraction of the purchase price of leased equipment are not interest bearing.

Employee Indebtedness. To assist certain officers in exercising stock options, the Company or a subsidiary lent to such officers the exercise price of options such officers exercised in May and July 2002. The loans bear interest at 5.50% per annum, which compounds annually. The entire principal and accrued interest is due in July 2007. The chief executive officer (Mr. Bradley), one executive officer (Mr. Terry), and four officers other than executive officers borrowed money on those terms and still have a balance outstanding. One of the other officers (Teri L. Clements) was promoted to an executive officer position in April 2007. The highest balances of the loans for the period January 1, 2006 through the date of this proxy statement were \$433,589 for Mr. Bradley, \$23,538 for Ms. Clements, and \$22,376 for Mr. Terry. Consistent with the terms of the loans, none of such officers has paid any interest on or principal of such loans and the accrued interest has been added annually to the principal outstanding. Pursuant to the Sarbanes-Oxley Act of 2002, Company has ceased providing any loans to its executive officers.

The agreements and transactions described above (other than those between the Company and LLC) were entered into by the Company with parties who personally benefited from such transactions and who had a control or fiduciary relationship with the Company. It is the Company's policy that any such transactions with persons having a control or fiduciary relationship with the Company may take place only if approved by the Audit Committee or by the members of the Company's Board of Directors who are disinterested with respect to the transaction, and independent in accordance with the standards for director independence prescribed by Nasdaq. Such policy is maintained in writing in the charter of the Audit Committee. In each case above such agreements and transactions have been reviewed and approved by the members of the Company's Board of Directors who are disinterested with respect to the transaction. The Company has determined that each of its nonemployee directors (Messrs. Fredrikson, Rayhill, Roberts, Warner and Wood) is independent in accordance with the Nasdaq standards.

FURTHER INFORMATION RELATING TO THE ANNUAL MEETING

Voting Of Shares

The Board of Directors recommends that an affirmative vote be cast in favor of each of the nominees and proposals listed on the proxy card.

The Board of Directors knows of no other matters that may be brought before the meeting which require submission to a vote of the shareholders. If any other matters are properly brought before the meeting, however, the persons named in the enclosed proxy or their substitutes will vote in accordance with their best judgment on such matters.

Holders of CPS Common Stock are entitled to one vote per share on each matter other than election of directors. As to election of directors, each holder of CPS Common Stock may cumulate such holder's votes and give any nominee an aggregate number of votes equal to the number of directors to be elected multiplied by the number of shares of CPS Common Stock held of record by such holder as of the record date, or distribute such aggregate number of votes

among as many nominees as the holder thinks fit. However, no such holder shall be entitled to cumulate votes for any nominee unless such nominee's name has been placed in nomination prior to the voting and the holder has given notice at the annual meeting prior to the voting of the holder's intention to cumulate votes. If any one holder has given such notice, all holders may cumulate their votes for nominees. Discretionary authority is sought hereby to cumulate votes of shares represented by proxies.

17

Votes cast in person or by proxy at the Annual Meeting will be tabulated by the Inspector of Elections with the assistance of the Company's transfer agent. The Inspector of Elections will also determine whether or not a quorum is present. In general, California law provides that a quorum consists of a majority of the shares entitled to vote, represented either in person or by proxy. Approval of each proposal other than election of directors requires the affirmative vote of a majority of shares represented and voting on the proposal at a duly held meeting at which a quorum is present (which shares voting affirmatively must also constitute at least a majority of the required quorum). The Inspector of Elections will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum but as not voting for purposes of determining the approval of any matter submitted to the shareholders for a vote. Any proxy that is returned using the form of proxy enclosed and which is not marked as to a particular item will be voted FOR election of the nominees for director named herein; FOR the ratification of the appointment of McGladrey & Pullen LLP as the Company's independent auditors for the year ending December 31, 2007; FOR the amendment increasing the number of shares issuable under the Company's 2006 Long-Term Equity Incentive Plan; and will be deemed to grant discretionary authority to vote upon any other matters properly coming before the meeting. If a broker indicates on the enclosed proxy or its substitute that it does not have discretionary authority as to certain shares to vote on a particular matter ("broker non-votes"), those shares will be considered as abstentions with respect to that matter. While there is no definitive specific statutory or case law authority in California concerning the proper treatment of abstentions and broker non-votes, the Company believes that the tabulation procedures to be followed by the Inspector of Elections are consistent with the general statutory requirements in California concerning voting of shares and determination of a quorum.

Shareholder Proposals

The Company plans to hold its year 2008 Annual Meeting of Shareholders on May 9, 2008. In order to be considered for inclusion in the Company's proxy statement and form of proxy for the 2008 Annual Meeting, any proposals by shareholders intended to be presented at such meeting must be received by the Secretary of the Company at 16355 Laguna Canyon Road, Irvine, California 92618 by a reasonable time in advance of the Company's printing and sending its 2008 proxy materials.

Availability of Annual Report on Form 10-K

The Company has provided a copy of its 2006 Annual Report with this proxy statement. **Shareholders may obtain, without charge, a copy of the Company's annual report on Form 10-K, upon written request.** Any such request should be directed to "Corporate Secretary, Consumer Portfolio Services, Inc., 16355 Laguna Canyon Road, Irvine, CA 92618." The Form 10-K is also available on the Company's website www.consumerportfolio.com.

CONSUMER PORTFOLIO SERVICES, INC.

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 26, 2007**

The undersigned shareholder of CONSUMER PORTFOLIO SERVICES, INC., a California corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement with respect to the Annual Meeting of Shareholders of Consumer Portfolio Services, Inc. to be held at the offices of said corporation at 16355 Laguna Canyon Road, Irvine, California 92618 on June 26, 2007, at 10:00 a.m., and hereby appoints Charles E. Bradley, Jr. and Jeffrey P. Fritz, and each of them, proxies and attorneys-in-fact, each with power of substitution and revocation, and each with all powers that the undersigned would possess if personally present, to vote the Consumer Portfolio Services, Inc. Common Stock of the undersigned at such meeting and any postponements or adjournments of such meeting, as set forth below, and in their discretion upon any other business that may properly come before the meeting (and any such postponements or adjournments).

(Continued and to be signed on the reverse side.)

**MEETING AND ANY POSTPONEMENTS OR
ADJOURNMENTS THEREOF.**

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **“FOR ALL EXCEPT”** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

**PLEASE VOTE, SIGN, DATE AND PROMPTLY
RETURN THIS CARD.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Shareholder _____ Date _____ Signature of Shareholder
_____ Date _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

FOR ALL
NOMINEES

increases the number
of shares issuable
from 1,500,000 to
3,000,000.

FOR ALL
EXCEPT
(See
instructions
below)

John C. Warner
 Gregory S. Washer
 Daniel S. Wood

4. To transact such other business as may properly come before the meeting or any adjournment(s) thereof.

THIS PROXY WILL BE VOTED AS SPECIFIED OR, IF NO CHOICE IS SPECIFIED, FOR THE ELECTION OF THE NOMINEES, FOR PROPOSALS 2 AND 3, AND AS SAID PROXIES DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AND ANY POSTPONEMENTS OR ADJOURNMENTS THEREOF.

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **“FOR ALL EXCEPT”** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

PLEASE VOTE, SIGN, DATE AND PROMPTLY RETURN THIS CARD.

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Signature of Shareholder _____ Date _____ Signature of Shareholder
_____ Date _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.