CONSUMER PORTFOLIO SERVICES INC
Form 10-K
February 25, 2015

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 10-K**

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

**Commission file number: 001-14116**

**CONSUMER PORTFOLIO SERVICES, INC.**

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **California** | **33-0459135** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **3800 Howard Hughes Pkwy, Las Vegas, NV** | **89169** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (949) 753-6800**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, no par value | The Nasdaq Stock Market LLC (Global Market) |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer","accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer o   Accelerated Filer x   Non-Accelerated Filer o   Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the 20,319,932 shares of the registrant's common stock held by non-affiliates as of the date of filing of this report, based upon the closing price of the registrant's common stock of $7.62 per share reported by Nasdaq as of June 30, 2014, was approximately $154,837,882. For purposes of this computation, a registrant sponsored pension plan and all directors and executive officers are deemed to be affiliates. Such determination is not an admission that such plan, directors and executive officers are, in fact, affiliates of the registrant. The number of shares of the registrant's Common Stock outstanding on February 19, 2015 was 25,602,440.

**DOCUMENTS INCORPORATED BY REFERENCE**

The proxy statement for registrant's 2015 annual shareholders meeting is incorporated by reference into Part III hereof.

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PART I

Item 1. Business

Overview

We are a specialty finance company. Our business is to purchase and service retail automobile contracts originated primarily by franchised automobile dealers and, to a lesser extent, by select independent dealers in the United States in the sale of new and used automobiles, light trucks and passenger vans. Through our automobile contract purchases, we provide indirect financing to the customers of dealers who have limited credit histories, low incomes or past credit problems, who we refer to as sub-prime customers. We serve as an alternative source of financing for dealers, facilitating sales to customers who otherwise might not be able to obtain financing from traditional sources, such as commercial banks, credit unions and the captive finance companies affiliated with major automobile manufacturers. In addition to purchasing installment purchase contracts directly from dealers, we have also acquired installment purchase contracts in four merger and acquisition transactions, and purchased or originated immaterial amounts of loans secured by vehicles. In this report, we refer to all of such contracts and loans as "automobile contracts."

We were incorporated and began our operations in March 1991. We consist of Consumer Portfolio Services, Inc. and subsidiaries (collectively, “we,” “us,” “CPS” or “the Company”). From inception through December 31, 2014, we have purchased a total of approximately $11.3 billion of automobile contracts from dealers. In addition, we acquired a total of approximately $822.3 million of automobile contracts in mergers and acquisitions in 2002, 2003, 2004 and, most recently in September 2011. The September 2011 acquisition consisted of approximately $217.8 million of automobile contracts that we purchased from Fireside Bank of Pleasanton, California. In 2004 and 2009, we were appointed as a third-party servicer for certain portfolios of automobile contracts originated and owned by non-affiliated entities. From 2008 through 2010, our managed portfolio decreased each year due to our strategy of limiting contract purchases to conserve our liquidity during the financial crisis and resulting recession, as discussed further below. However, since October 2009, we have gradually increased contract purchases, which, in turn, has resulted in increases in our managed portfolio. Contract purchase volumes and managed portfolio levels for the five years ended December 31, 2014 are shown in the table below:

**Contract Purchases and Outstanding Managed Portfolio**

| | *$ in thousands* | |
|---|---|---|
| Year | Contracts Purchased in Period | Managed Portfolio at Period |

| | | End |
|---|---|---|
| 2010 | 113,023 | 756,203 |
| 2011 | 284,236 | 794,649 |
| 2012 | 551,742 | 897,575 |
| 2013 | 764,087 | 1,231,422 |
| 2014 | 944,944 | 1,643,920 |

Our principal executive offices are in Las Vegas, Nevada. Most of our operational and administrative functions take place in Irvine, California. Credit and underwriting functions are performed primarily in our California branch with certain of these functions also performed in our Florida and Nevada branches. We service our automobile contracts from our California, Nevada, Virginia, Florida and Illinois branches.

We direct our marketing efforts primarily to dealers, rather than to consumers. We establish relationships with dealers through our employee marketing representatives, who contact prospective dealers to explain our automobile contract purchase programs, and thereafter provide dealer training and support services. Our marketing representatives represent us exclusively. They may be located in our Irvine branch, in our Las Vegas branch, or in the field, in which case they work from their homes and support dealers in their geographic area. Our marketing representatives present dealers with a marketing package, which includes our promotional material containing the terms offered by us for the purchase of automobile contracts, a copy of our standard-form dealer agreement, and required documentation relating to automobile contracts. As of December 31, 2014, we had 130 marketing representatives and in that month we received applications from 8,637 dealers in 48 states. As of December 31, 2014, approximately 68% of our active dealers were franchised new car dealers that sell both new and used vehicles, and the remainder were independent used car dealers. For the year ended December 31, 2014, approximately 84% of the automobile contracts purchased under our programs consisted of financing for used cars and 16% consisted of financing for new cars, as compared to 91% financing for used cars and 9% for new cars in the year ended December 31, 2013.

We purchase automobile contracts with the intention of financing them on a long-term basis through securitizations. Securitizations are transactions in which we sell a specified pool of contracts to a special purpose subsidiary of ours. The subsidiary in turn issues (or contributes to a trust that issues) asset-backed securities, which are purchased by institutional investors. Since 1994, we have completed 65 term securitizations of approximately $9.4 billion in contracts. We depend upon the availability of short-term warehouse credit facilities as interim financing for our contract purchases prior to the time we pool those contracts for a securitization. From February 2011 through the date of this report, we have maintained two $100 million revolving warehouse credit facilities.

Sub-Prime Auto Finance Industry

Automobile financing is the second largest consumer finance market in the United States. The automobile finance industry can be considered as a continuum where participants choose to provide financing to consumers in various segments of the spectrum of creditworthiness depending on each participant’s business strategy. We operate in a segment of the spectrum that is frequently referred to as sub-prime since we provide financing to less credit-worthy borrowers at higher rates of interest than more credit-worthy borrowers are likely to obtain.

Traditional automobile finance companies, such as banks, their subsidiaries, credit unions and captive finance subsidiaries of automobile manufacturers, generally lend to the most creditworthy, or so-called prime, borrowers, although some traditional lenders are significant participants in the sub-prime segment in which we operate. Historically, independent companies specializing in sub-prime automobile financing and subsidiaries of larger financial services companies have competed in the sub-prime segment which we believe remains highly fragmented, with no single company having a dominant position in the market.

Economic conditions of uncertainty have from time to time negatively affected our industry. Notably, and most recently, throughout 2008 and 2009 there was reduced demand for asset-backed securities secured by consumer finance receivables, including sub-prime automobile receivables. Over roughly that same period, lenders who previously provided short-term warehouse financing for sub-prime automobile finance companies such as ours were reluctant to provide such short-term financing due to the uncertainty regarding the prospects of obtaining long-term financing through the issuance of asset-backed securities. In addition, many capital market participants such as investment banks, financial guaranty providers and institutional investors who previously played a role in the sub-prime auto finance industry withdrew from the industry, or in some cases, ceased to do business. Finally, broad economic weakness and high levels of unemployment during 2008, 2009 and thereafter caused many of the obligors under our receivables to be less willing or able to pay, resulting in higher delinquencies, charge-offs and losses. Each of these factors adversely affected our results of operations in the period 2008 through 2011. Since October 2009, however, improvements in the capital markets have allowed us to obtain new short-term credit facilities, and to regularly access long-term funding.

Our Operations

Our automobile financing programs are designed to serve sub-prime customers, who generally have limited credit histories, low incomes or past credit problems. Because we serve customers who are unable to meet certain credit standards, we incur greater risks, and generally receive interest rates higher than those charged in the prime credit market. We also sustain a higher level of credit losses because of the higher risk customers we serve.

Originations

When a retail automobile buyer elects to obtain financing from a dealer, the dealer takes a credit application to submit to its financing sources. Typically, a dealer will submit the buyer's application to more than one financing source for review. We believe the dealer’s decision to choose a financing source is based primarily on: (i) the monthly payment made available to the dealer's customer; (ii) the purchase price offered to the dealer for the automobile contract; (iii) the timeliness, consistency and predictability of response; (iv) funding turnaround time; (v) any conditions to purchase; and (vi) the financial stability of the financing source. Dealers can send credit applications to us by entering the necessary data on our website or through one of several third-party application aggregators. For the year ended December 31, 2014, we received approximately 78% of all applications through DealerTrack (the industry leading dealership application aggregator), 4% via our website and 18% via another aggregator. Our automated application decisioning system produced our initial decision within minutes on approximately 99% of those applications.

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Upon receipt of information from a dealer, we immediately order two credit reports to document the buyer's credit history. If, upon review by our proprietary automated decisioning system, or in some cases, one of our credit analysts, we determine that the automobile contract meets our underwriting criteria, or would meet such criteria with modification, we request and review further information from the dealer and, ultimately, decide whether to approve the automobile contract for purchase.

Dealers with which we do business are under no obligation to submit any automobile contracts to us, nor are we obligated to purchase any automobile contracts from them. During the year ended December 31, 2014, no dealer accounted for more than 0.40% of the total number of automobile contracts we purchased. The following table sets forth the geographical sources of the automobile contracts we purchased (based on the addresses of the customers as stated on our records) during the years ended December 31, 2014 and 2013.

| | Contracts Purchased During the Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2014 | | | December 31, 2013 | | |
| | Number | Percent (1) | | Number | Percent (1) | |
| Texas | 5,926 | 10.0 | % | 4,910 | 10.0 | % |
| California | 5,163 | 8.7 | % | 5,175 | 10.6 | % |
| Ohio | 3,379 | 5.7 | % | 2,337 | 4.8 | % |
| New Jersey | 2,996 | 5.1 | % | 2,479 | 5.1 | % |
| Florida | 2,951 | 5.0 | % | 2,230 | 4.6 | % |
| Pennsylvania | 2,855 | 4.8 | % | 2,962 | 6.0 | % |
| Other States | 36,006 | 60.7 | % | 28,902 | 59.0 | % |
| Total | 59,276 | 100.0 | % | 48,995 | 100.0 | % |

*(1) Percentages may not total to 100.0% due to rounding.*

The following table sets forth the geographic concentrations of our outstanding managed portfolio as of December 31, 2014 and 2013.

| | December 31, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Amount | Percent (1) | | Amount | Percent (1) | |
| State based on obligor's residence | ($ in millions) | | | | | |
| California | $178.8 | 10.9 | % | $164.2 | 13.3 | % |
| Texas | 166.8 | 10.1 | % | 123.3 | 10.0 | % |
| Georgia | 83.4 | 5.1 | % | 65.8 | 5.3 | % |

| | | | | |
|---|---|---|---|---|
| Pennsylvania | 82.5 | 5.0 % | 73.3 | 6.0 % |
| Ohio | 81.8 | 5.0 % | 55.8 | 4.5 % |
| All others | 1,050.6 | 63.9 % | 749.0 | 60.8 % |
| Total | $1,643.9 | 100.0 % | $1,231.4 | 100.0 % |

(1) Percentages may not total to 100.0% due to rounding.

We purchase automobile contracts from dealers at a price generally computed as the total amount financed under the automobile contracts, adjusted for an acquisition fee, which may either increase or decrease the automobile contract purchase price we pay. The amount of the acquisition fee, and whether it results in an increase or decrease to the automobile contract purchase price, is based on the perceived credit risk of and, in some cases, the interest rate on the automobile contract. The following table summarizes the average net acquisition fees we charged dealers and the weighted average annual percentage rate on our purchased contracts for the periods shown:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Average net acquisition fee amount | $162 | $418 | $836 | $1,155 | $1,382 |
| Average net acquisition fee as % of amount financed | 1.0 % | 2.7 % | 5.5 % | 7.4 % | 9.2 % |
| Weighted average annual percentage interest rate | 19.6% | 20.1% | 20.3% | 20.1 % | 20.1 % |

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We believe that levels of acquisition fees are determined partially by competition in the marketplace, which has increased over the periods presented, and also by our pricing strategy. Our pricing strategy is driven by our objectives for new contract purchase quantities and yield.

We offer seven different financing programs to our dealership customers, and price each program according to the relative credit risk. Our programs cover a wide band of the credit spectrum and are labeled as follows:

First Time Buyer – This program accommodates an applicant who has limited significant past credit history, such as a previous auto loan. Since the applicant has limited credit history, the contract interest rate and dealer acquisition fees tend to be higher, and the loan amount, loan-to-value ratio, down payment and payment-to-income ratio requirements tend to be more restrictive compared to our other programs.

Mercury / Delta – This program accommodates an applicant who may have had significant past non-performing credit including recent derogatory credit. As a result, the contract interest rate and dealer acquisition fees tend to be higher, and the loan amount, loan-to-value ratio, down payment, and payment-to-income ratio requirements tend to be more restrictive compared to our other programs.

Standard – This program accommodates an applicant who may have significant past non-performing credit, but who has also exhibited some performing credit in their history. The contract interest rate and dealer acquisition fees are comparable to the First Time Buyer and Mercury/Delta programs, but the loan amount and loan-to-value ratio requirements are somewhat less restrictive.

Alpha – This program accommodates applicants who may have a discharged bankruptcy, but who have also exhibited performing credit. In addition, the program allows for homeowners who may have had other significant non-performing credit in the past. The contract interest rate and dealer acquisition fees are lower than the Standard program, down payment and payment-to-income ratio requirements are somewhat less restrictive.

Alpha Plus – This program accommodates applicants with past non-performing credit, but with a stronger history of recent performing credit, including auto or mortgage related credit, and higher incomes than the Alpha program. Contract interest rates and dealer acquisition fees are lower than the Alpha program.

Super Alpha – This program accommodates applicants with past non-performing credit, but with a somewhat stronger history of recent performing credit, including auto or mortgage related credit, and higher incomes than the Alpha Plus program. Contract interest rates and dealer acquisition fees are lower, and the maximum loan amount is somewhat higher, than the Alpha Plus program.

Preferred - This program accommodates applicants with past non-performing credit, but who demonstrate a somewhat stronger history of recent performing credit than the Super Alpha program. Contract interest rates and dealer acquisition fees are lower, and the maximum loan amount is somewhat higher than the Super Alpha program.

Our upper credit tier products, which are our Preferred, Super Alpha, Alpha Plus and Alpha programs, accounted for approximately 74% of our new contract originations in 2014, 74% in 2013 and 72% in 2012, measured by aggregate amount financed.

The following table identifies the credit program, sorted from highest to lowest credit quality, under which we purchased automobile contracts during the years ended December 31, 2014, 2013, and 2012.

| | Contracts Purchased During the Year Ended (1) | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2014 | | December 31, 2013 | | December 31, 2012 | |
| | (dollars in thousands) | | | | | |
| | Amount Financed | Percent (1) | Amount Financed | Percent (1) | Amount Financed | Percent (1) |
| Preferred | $40,534 | 4.3 % | $25,135 | 3.3 % | $19,715 | 3.6 % |
| Super Alpha | 127,994 | 13.5 % | 116,551 | 15.3 % | 95,303 | 17.3 % |
| Alpha Plus | 137,337 | 14.5 % | 101,907 | 13.3 % | 71,172 | 12.9 % |
| Alpha | 395,858 | 41.9 % | 320,558 | 42.0 % | 213,371 | 38.7 % |
| Standard | 90,412 | 9.6 % | 78,320 | 10.3 % | 62,405 | 11.3 % |
| Mercury / Delta | 89,075 | 9.4 % | 66,656 | 8.7 % | 52,077 | 9.4 % |
| First Time Buyer | 63,734 | 6.7 % | 54,960 | 7.2 % | 37,699 | 6.8 % |
| | $944,944 | 100.0 % | $764,087 | 100.0 % | $551,742 | 100.0 % |

(1) Percentages may not total to 100.0% due to rounding.

We attempt to control misrepresentation regarding the customer's credit worthiness by carefully screening the automobile contracts we purchase, by establishing and maintaining professional business relationships with dealers, and by including certain representations and warranties by the dealer in the dealer agreement. Pursuant to the dealer agreement, we may require the dealer to repurchase any automobile contract in the event that the dealer breaches its representations or warranties. There can be no assurance, however, that any dealer will have the willingness or the financial resources to satisfy its repurchase obligations to us.

In addition to our purchases of installment contracts from dealers, we purchased from 2006 through 2008 an immaterial number of vehicle purchase money loans, evidenced by promissory notes and security agreements. A non-affiliated lender originated all such loans directly to vehicle purchasers, and sold the loans to us. We began financing vehicle purchases by lending money directly to consumers in January 2008, on terms similar to those that we offered through dealers, though without a down payment requirement and with more restrictive loan-to-value and credit score requirements. In October 2008 we suspended purchases of loans from other lenders and direct lending to consumers. There can be no assurance as to whether or not we will recommence these programs, the extent to which we may make such loans, or as to their future performance. In 2012, we initiated a program to make direct loans secured by automobiles to consumers who own their vehicles. As of December 31, 2014 our managed portfolio includes $2.7 million of such loans.

Underwriting

To be eligible for purchase, we require that the automobile contract be originated by a dealer that has entered into a dealer agreement with us. The automobile contract must be secured by a first priority lien on a new or used automobile, light truck or passenger van and must meet our underwriting criteria. In addition, each automobile contract requires the customer to maintain physical damage insurance covering the financed vehicle and naming us as a loss payee. We may, nonetheless, suffer a loss upon theft or physical damage of any financed vehicle if the customer fails to maintain insurance as required by the automobile contract and is unable to pay for repairs to or replacement of the vehicle.

We believe that our underwriting criteria enable us to evaluate effectively the creditworthiness of sub-prime customers and the adequacy of the financed vehicle as security for an automobile contract. The underwriting criteria include standards for price, term, amount of down payment, installment payment and interest rate; mileage, age and type of vehicle; principal amount of the automobile contract in relation to the value of the vehicle; customer income level, employment and residence stability, credit history and debt service ability, as well as other factors. Specifically, our underwriting guidelines generally limit the maximum principal amount of a purchased automobile contract to 115% of wholesale book value in the case of used vehicles or to 115% of the manufacturer's invoice in the case of new vehicles, plus, in each case, sales tax, licensing and, when the customer purchases such additional items, a service contract or a policy to supplement the customer’s casualty policy in the event of a total loss of the related vehicle. We generally do not finance vehicles that are more than 11 model years old or have in excess of 135,000 miles. Under most of our programs, the maximum term of a purchased contract is 72 months; a shorter maximum term may be applicable based on the program and mileage. Automobile contracts with the maximum term of up to 72 months may be purchased if the customer is among the more creditworthy of our obligors and the vehicle generally has less than 50,000 miles. Automobile contract purchase criteria are subject to change from time to time as circumstances may warrant. Prior to purchasing an automobile contract, our underwriters verify the customer's employment, income, residency, insurance coverage, and credit information by contacting various parties noted on the customer's application, credit information bureaus and other sources. In addition, we contact each customer by telephone to confirm that the customer understands and agrees to the terms of the related automobile contract. During this "welcome call," we also ask the customer a series of open ended questions about his application and the contract, which may uncover potential misrepresentations.

*Credit Scoring*. We use proprietary scoring models to assign each automobile contract several "credit scores" at the time the application is received from the dealer and the customer's credit information is retrieved from the credit reporting agencies. These proprietary scores are used to help determine whether or not we want to approve the application and, if so, the program and pricing we will offer to the dealer. The credit scores are based on a variety of parameters including the customer's credit history, employment and residence stability and income. Once a vehicle is selected by the customer and a proposed deal structure is provided to us by the dealer, our scores will then consider the loan-to-value ratio, payment-to-income ratio, down payment amount, the make and mileage of the vehicle. We have developed the credit scores utilizing statistical risk management techniques and historical performance data from our managed portfolio. We believe this improves our allocation of credit evaluation resources, enhances our competitiveness in the marketplace and manages the risk inherent in the sub-prime market.

*Characteristics of Contracts.* All of the automobile contracts we purchase are fully amortizing and provide for level payments over the term of the automobile contract. All automobile contracts may be prepaid at any time without penalty. The average original principal amount financed under the CPS programs in 2014 was $15,941, with an average original term of 63 months and an average down payment amount of 12.4%. Based on information contained in customer applications for this 12-month period, the retail purchase price of the related automobiles averaged $16,171 (which excludes tax, license fees and any additional costs such as a service contract) and the average age of the vehicle at the time the automobile contract was purchased was five years. The average age of our customers is approximately 41, with approximately $55,000 in average annual household income and an average of six years tenure with his or her current employer.

*Dealer Compliance.* The dealer agreement and related assignment contain representations and warranties by the dealer that an application for state registration of each financed vehicle, naming us as secured party with respect to the vehicle, was effected by the time of sale of the related automobile contract to us, and that all necessary steps have been taken to obtain a perfected first priority security interest in each financed vehicle in favor of us under the laws of the state in which the financed vehicle is registered. To the extent that we do not receive such state registration within three months of purchasing the automobile contract, our dealer compliance group will work with the dealer in an attempt to rectify the situation. If these efforts are unsuccessful, we generally will require the dealer to repurchase the automobile contract.

Servicing and Collection

We currently service all automobile contracts that we own as well as those automobile contracts that are included in portfolios that we have sold in securitizations or service for third parties. We organize our servicing activities based on the tasks performed by our personnel. Our servicing activities consist of mailing monthly billing statements; collecting, accounting for and posting of all payments received; responding to customer inquiries; taking all necessary action to maintain the security interest granted in the financed vehicle or other collateral; investigating delinquencies; communicating with the customer to obtain timely payments; repossessing and liquidating the collateral when necessary; collecting deficiency balances; and generally monitoring each automobile contract and the related collateral. We are typically entitled to receive a base monthly servicing fee equal to 2.5% per annum computed as a percentage of the declining outstanding principal balance of the non-charged-off automobile contracts in the securitization pools**.** The servicing fee is included in interest income for those securitization transactions that are treated as financings.

*Collection Procedures.* We believe that our ability to monitor performance and collect payments owed from sub-prime customers is primarily a function of our collection approach and support systems. We believe that if payment problems are identified early and our collection staff works closely with customers to address these problems, it is possible to correct many problems before they deteriorate further. To this end, we utilize pro-active collection procedures, which include making early and frequent contact with delinquent customers; educating customers as to the importance of maintaining good credit; and employing a consultative and customer service approach to assist the customer in meeting his or her obligations, which includes attempting to identify the underlying causes of delinquency and cure them whenever possible. In support of our collection activities, we maintain a computerized collection system specifically designed to service automobile contracts with sub-prime customers and similar consumer obligations.

We attempt to make telephonic contact with delinquent customers from one to 15 days after their monthly payment due date, depending on our proprietary behavioral scorecards which assess the customer’s likelihood of payment during early stages of delinquency. Our contact priorities may be based on the customers' physical location, stage of delinquency, size of balance or other parameters. Our collectors inquire of the customer the reason for the delinquency and when we can expect to receive the payment. The collector will attempt to get the customer to make an electronic payment over the phone or a promise for the payment for a time generally not to exceed one week from the date of the call. If the customer makes such a promise, the account is routed to a promise queue and is not contacted until the outcome of the promise is known. If the payment is made by the promise date and the account is no longer delinquent, the account is routed out of the collection system. If the payment is not made, or if the payment is made, but the account remains delinquent, the account is returned to the queue for subsequent contacts.

If a customer fails to make or keep promises for payments, or if the customer is uncooperative or attempts to evade contact or hide the vehicle, a supervisor will review the collection activity relating to the account to determine if repossession of the vehicle is warranted. Generally, such a decision will occur between the 60th and 90th day past the customer's payment due date, but could occur sooner or later, depending on the specific circumstances. At the time the vehicle is repossessed we will stop accruing interest on this automobile contract, and reclassify the remaining automobile contract balance to other assets. In addition we will apply a specific reserve to this automobile contract so that the net balance represents the estimated fair value less costs to sell.

If we elect to repossess the vehicle, we assign the task to an independent local repossession service. Such services are licensed and/or bonded as required by law. When the vehicle is recovered, the repossession service delivers it to a wholesale automobile auction, where it is kept until sold. Financed vehicles that have been repossessed are generally resold through unaffiliated automobile auctions, which are attended principally by car dealers. Net liquidation proceeds are applied to the customer's outstanding obligation under the automobile contract. Such proceeds usually are insufficient to pay the customer's obligation in full, resulting in a deficiency. In most cases we will continue to contact our customers to recover all or a portion of this deficiency for up to several years after charge-off. From time to time, we sell certain charged off accounts to unaffiliated purchasers who specialize in collecting such accounts.

Once an automobile contract becomes greater than 90 days delinquent, we do not recognize additional interest income until the borrower makes sufficient payments to be less than 90 days delinquent. Any payments received by a borrower that are greater than 90 days delinquent are first applied to accrued interest and then to principal reduction.

We generally charge off the balance of any contract by the earlier of the end of the month in which the automobile contract becomes five scheduled installments past due or, in the case of repossessions, the month that we receive the proceeds from the liquidation of the financed vehicle or if the vehicle has been in repossession inventory for more than three months. In the case of repossession, the amount of the charge-off is the difference between the outstanding principal balance of the defaulted automobile contract and the net repossession sale proceeds.

Credit Experience

Our financial results are dependent on the performance of the automobile contracts in which we retain an ownership interest. Broad economic factors such as recession and significant changes in unemployment levels influence the credit performance of our portfolio, as does the weighted average age of the receivables at any given time. Our internal credit performance data consistently show that new receivables have lower levels of delinquency and losses early in their lives, with delinquencies increasing throughout their lives and losses gradually increasing to a peak between 36 and 42 months, after which they gradually decrease. The weighted average seasoning of our total owned portfolio excluding contracts acquired from Fireside Bank (“Fireside Portfolio”), represented in the tables below, was 14 months, 14 months and 18 months as of December 31, 2014, December 31, 2013, and December 31, 2012, respectively. Our primary method of monitoring ongoing credit quality of our portfolio is to closely review monthly delinquency, default and net charge off activity and the related trends. The tables below document the delinquency, repossession and net credit loss experience of all such automobile contracts that we were servicing as of the respective dates shown. The tables do not include the experience of third party servicing portfolios.

**Delinquency, Repossession and Extension Experience**

**Delinquency and Extension Experience (1)**

Total Owned Portfolio Excluding Fireside Portfolio

| | **December 31, 2014** | | **December 31, 2013** | | **December 31, 2012** | |
|---|---|---|---|---|---|---|
| | **Number of Contracts** | **Amount** | **Number of Contracts** | **Amount** | **Number of Contracts** | **Amount** |
| ***Delinquency Experience*** | **(Dollars in thousands)** | | | | | |
| Gross servicing portfolio (1) | 123,033 | $1,641,807 | 94,206 | $1,213,793 | 74,124 | $825,186 |
| Period of delinquency (2) | | | | | | |
| 31-60 days | 3,571 | 42,823 | 2,652 | 21,887 | 2,545 | 18,034 |
| 61-90 days | 1,813 | 23,334 | 2,024 | 24,914 | 1,179 | 9,360 |
| 91+ days | 1,890 | 23,239 | 1,162 | 11,060 | 773 | 5,297 |
| Total delinquencies (2) | 7,274 | 89,396 | 5,838 | 57,861 | 4,497 | 32,691 |
| Amount in repossession (3) | 2,664 | 28,249 | 2,961 | 25,010 | 1,932 | 12,506 |
| Total delinquencies and amount in repossession (2) | 9,938 | $117,645 | 8,799 | $82,871 | 6,429 | $45,197 |
| Delinquencies as a percentage of gross servicing portfolio | 5.9 % | 5.4 % | 6.2 % | 4.8 % | 6.1 % | 4.0 % |
| Total delinquencies and amount in repossession as a percentage of gross servicing portfolio | 8.1 % | 7.2 % | 9.3 % | 6.8 % | 8.7 % | 5.5 % |
| | | | | | | |
| Extension Experience | | | | | | |
| Contracts with one extension, accruing (4) | 18,165 | $238,267 | 13,754 | $176,236 | 9,094 | $73,632 |
| Contracts with two or more extensions, accruing (4) | 7,537 | 93,220 | 5,449 | 43,869 | 7,795 | 37,761 |
| | 25,702 | 331,487 | 19,203 | 220,105 | 16,889 | 111,393 |
| | | | | | | |
| Contracts with one extension, non-accrual (4) | 1,268 | 14,701 | 1,030 | 9,348 | 632 | 4,401 |
| Contracts with two or more extensions, non-accrual (4) | 594 | 6,468 | 622 | 3,267 | 1,044 | 4,344 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 1,862 | 21,169 | 1,652 | 12,615 | 1,676 | 8,745 |
| Total accounts with extensions | 27,564 | $352,656 | 20,855 | $232,720 | 18,565 | $120,138 |

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Delinquency and Extension Experience (1)

Fireside Portfolio

| | December 31, 2014 | | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | Number of Contracts | Amount | Number of Contracts | Amount | Number of Contracts | Amount |
| ***Delinquency Experience*** | | | (Dollars in thousands) | | | |
| Gross servicing portfolio (1) | 911 | $1,664 | 4,893 | $14,786 | 15,039 | $60,804 |
| Period of delinquency (2) | | | | | | |
| 31-60 days | 113 | 262 | 366 | 878 | 621 | 2,206 |
| 61-90 days | 53 | 74 | 125 | 253 | 204 | 710 |
| 91+ days | 45 | 62 | 108 | 234 | 114 | 332 |
| Total delinquencies (2) | 211 | 398 | 599 | 1,365 | 939 | 3,248 |
| Amount in repossession (3) | 1 | 1 | 30 | 120 | 175 | 703 |
| Total delinquencies and amount in repossession (2) | 212 | $399 | 629 | $1,485 | 1,114 | $3,951 |
| Delinquencies as a percentage of gross servicing portfolio | 23.2 % | 23.9 % | 12.2 % | 9.2 % | 6.2 % | 5.3 |
| Total delinquencies and amount in repossession as a percentage of gross servicing portfolio | 23.3 % | 24.0 % | 12.9 % | 10.0 % | 7.4 % | 6.5 |
| | | | | | | |
| Extension Experience | | | | | | |
| Contracts with one extension, accruing (4) | 212 | $376 | 1,203 | $3,945 | 3,117 | $15,262 |
| Contracts with two or more extensions, accruing (4) | 303 | 815 | 685 | 2,924 | 134 | 717 |
| | 515 | 1,191 | 1,888 | 6,869 | 3,251 | 15,979 |
| | | | | | | |
| Contracts with one extension, non-accrual (4) | 17 | 22 | 60 | 155 | 160 | 726 |
| Contracts with two or more extensions, non-accrual (4) | 18 | 30 | 35 | 118 | 6 | 20 |
| | 35 | 52 | 95 | 273 | 166 | 746 |
| | | | | | | |
| Total accounts with extensions | 550 | $1,243 | 1,983 | $7,142 | 3,417 | $16,725 |

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Delinquency and Extension Experience (1)

Total Owned Portfolio

| | December 31, 2014 | | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | Number of Contracts | Amount | Number of Contracts | Amount | Number of Contracts | Amount |
| ***Delinquency Experience*** | **(Dollars in thousands)** | | | | | |
| Gross servicing portfolio (1) | 123,944 | $1,643,471 | 99,099 | $1,228,579 | 89,163 | $885,990 |
| Period of delinquency (2) | | | | | | |
| 31-60 days | 3,684 | 43,085 | 3,018 | 22,765 | 3,166 | 20,240 |
| 61-90 days | 1,866 | 23,407 | 2,149 | 25,167 | 1,383 | 10,070 |
| 91+ days | 1,935 | 23,301 | 1,270 | 11,294 | 887 | 5,628 |
| Total delinquencies (2) | 7,485 | 89,793 | 6,437 | 59,226 | 5,436 | 35,938 |
| Amount in repossession (3) | 2,665 | 28,250 | 2,991 | 25,130 | 2,107 | 13,209 |
| Total delinquencies and amount in repossession (2) | 10,150 | $118,043 | 9,428 | $84,356 | 7,543 | $49,147 |
| Delinquencies as a percentage of gross servicing portfolio | 6.0 % | 5.5 % | 6.5 % | 4.8 % | 6.1 % | 4.1 % |
| Total delinquencies and amount in repossession as a percentage of gross servicing portfolio | 8.2 % | 7.2 % | 9.5 % | 6.9 % | 8.5 % | 5.5 % |
| | | | | | | |
| Extension Experience | | | | | | |
| Contracts with one extension, accruing (4) | 18,377 | $238,643 | 14,957 | $180,181 | 12,211 | $88,894 |
| Contracts with two or more extensions, accruing (4) | 7,840 | 94,035 | 6,134 | 46,793 | 7,929 | 38,478 |
| | 26,217 | 332,678 | 21,091 | 226,974 | 20,140 | 127,372 |
| | | | | | | |
| Contracts with one extension, non-accrual (4) | 1,285 | 14,723 | 1,090 | 9,503 | 792 | 5,127 |
| Contracts with two or more extensions, non-accrual (4) | 612 | 6,499 | 657 | 3,385 | 1,050 | 4,364 |
| | 1,897 | 21,222 | 1,747 | 12,888 | 1,842 | 9,491 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total accounts with extensions | 28,114 | $353,900 | 22,838 | $239,862 | 21,982 | $136,863 |

(1) *All amounts and percentages are based on the amount remaining to be repaid on each automobile contract, including, for pre-computed automobile contracts, any unearned interest. The information in the table represents the gross principal amount of all automobile contracts we purchased, including automobile contracts we subsequently sold in securitization transactions that we continue to service. The table does not include certain contracts we have serviced for third-parties on which we earn servicing fees only, and have no credit risk.*

(2) *We consider an automobile contract delinquent when an obligor fails to make at least 90% of a contractually due payment by the following due date, which date may have been extended within limits specified in the servicing agreements. The period of delinquency is based on the number of days payments are contractually past due. Automobile contracts less than 31 days delinquent are not included. The delinquency aging categories shown in the tables reflect the effect of extensions.*

(3) *Amount in repossession represents the contract balance on financed vehicles that have been repossessed but not yet liquidated.*

(4) *Accounts past due more than 90 days are on non-accrual.*

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Net Credit Loss Experience **(1)**

Total Owned Portfolio Excluding Fireside

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (Dollars in thousands) | | |
| Average servicing portfolio outstanding | $1,415,667 | $1,044,686 | $699,030 |
| Net charge-offs as a percentage of average servicing portfolio (2) | 5.9 % | 4.7 % | 3.5 % |

Net Credit Loss Experience **(1)**

Fireside Portfolio (3)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (Dollars in thousands) | | |
| Average servicing portfolio outstanding | $5,919 | $31,293 | $103,548 |
| Net charge-offs as a percentage of average servicing portfolio (2) | 0.6 % | 5.5 % | 4.5 % |

Net Credit Loss Experience **(1)**

Total Owned Portfolio (3)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (Dollars in thousands) | | |
| Average servicing portfolio outstanding | $1,421,587 | $1,075,979 | $802,579 |
| Net charge-offs as a percentage of average servicing portfolio (2) | 5.8 % | 4.7 % | 3.6 % |

*(1)* *All amounts and percentages are based on the principal amount scheduled to be paid on each automobile contract, net of unearned income on pre-computed automobile contracts. The information in the table represents all automobile contracts we service, excluding certain contracts we have serviced for third-parties on which we earn servicing fees only, and have no credit risk.*

*(2)*

*Net charge-offs include the remaining principal balance, after the application of the net proceeds from the liquidation of the vehicle (excluding accrued and unpaid interest) and amounts collected subsequent to the date of charge-off, including some recoveries which have been classified as other income in the accompanying financial statements.*

*(3) Amounts and percentages associated with the Fireside Portfolio reflect only the period after the acquisition of the portfolio in September 2011.*

*Extensions*

In certain circumstances we will grant obligors one-month payment extensions to assist them with temporary cash flow problems. In general, an obligor would not be entitled to more than two such extensions in any 12-month period and no more than six over the life of the contract. The only modification of terms is to advance the obligor's next due date by one month and extend the maturity date of the receivable by one month. In some cases, a two-month extension may be granted. There are no other concessions such as a reduction in interest rate, forgiveness of principal or of accrued interest. Accordingly, we consider such extensions to be insignificant delays in payments rather than troubled debt restructurings.

The basic question in deciding to grant an extension is whether or not we will (a) be delaying an inevitable repossession and liquidation or (b) risk losing the vehicle as a result of not being able to locate the obligor and vehicle. In both of those situations, the loss would likely be higher than if the vehicle had been repossessed without the extension. The benefits of granting an extension include minimizing current losses and delinquencies, minimizing lifetime losses, getting the obligor's account current (or close to it) and building goodwill with the obligor so that he might prioritize us over other creditors on future payments. Our servicing staff are trained to identify when a past due obligor is facing a temporary problem that may be resolved with an extension. In most cases, the extension will be granted in conjunction with our receiving a past due payment (and where allowed by law, a nominal fee) from the obligor, thereby indicating an additional monetary and psychological commitment to the contract on the obligor's part. Fees collected in conjunction with an extension are credited to obligors' outstanding accrued interest.

The credit assessment for granting an extension is initially made by our collector, who bases the recommendation on the collector's discussions with the obligor. In such assessments the collector will consider, among other things, the following factors: (1) the reason the obligor has fallen behind in payments; (2) whether or not the reason for the delinquency is temporary, and if it is, have conditions changed such that the obligor can begin making regular monthly payments again after the extension; (3) the obligor's past payment history, including past extensions if applicable; and (4) the obligor's willingness to communicate and cooperate on resolving the delinquency. If the collector believes the obligor is a good candidate for an extension, he must obtain approval from his supervisor, who will review the same factors stated above prior to offering the extension to the obligor. After receiving an extension, an account remains subject to our normal policies and procedures for interest accrual, reporting delinquency and recognizing charge-offs.

We believe that a prudent extension program is an integral component to mitigating losses in our portfolio of sub-prime automobile receivables. The table below summarizes the status, as of December 31, 2014, for accounts that received extensions from 2008 through 2013:

| Period of Extension | # Extensions Granted | Active or Paid Off at December 31, 2014 | % Active or Paid Off at December 31, 2014 | Charged Off > 6 Months After Extension | % Charged Off > 6 Months After Extension | Charged Off ≤ 6 Months After Extension | % Charged Off ≤ 6 Months After Extension | Avg Months to Charge Off Post Extension |
|---|---|---|---|---|---|---|---|---|
| 2008 | 35,588 | 10,871 | 30.5 % | 19,898 | 55.9 % | 4,819 | 13.5 % | 19 |
| 2009 | 32,004 | 10,271 | 32.1 % | 15,950 | 49.8 % | 5,783 | 18.1 % | 16 |
| 2010 | 26,167 | 12,489 | 47.7 % | 11,679 | 44.6 % | 1,999 | 7.6 % | 18 |
| 2011 | 18,786 | 11,382 | 60.6 % | 6,472 | 34.5 % | 932 | 5.0 % | 17 |
| 2012 | 18,783 | 12,439 | 66.2 % | 5,548 | 29.5 % | 796 | 4.2 % | 14 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | 23,398 | 17,759 | 75.9 | % | 4,663 | 19.9 | % | 976 | 4.2 | % | 11 |

*Table excludes extensions on portfolios serviced for third parties*

We view these results as a confirmation of the effectiveness of our extension program. For the accounts receiving extensions in 2008, 2009, 2010, 2011, 2012 and 2013, 30.5%, 32.1%, 47.7%, 60.6%, 66.2% and 75.9%, respectively, were either paid in full or are active and performing at December 31, 2014. With each of these successful extensions we received continued payments of interest and principal (including payment in full in many cases). Without the extension, however, we would have likely incurred a substantial loss and no additional interest revenue.

For extension accounts that ultimately charged off, we consider accounts that charged off more than six months after the extension to be at least partially successful. For the 2008, 2009, 2010, 2011, 2012 and 2013 extensions that charged off, the charge off was incurred, on average, 19, 16, 18, 17, 14 and 11 months, respectively, after the extension, This indicates that even in the cases of an ultimate loss, we received additional payments of principal and interest that otherwise we would not have received.

Additional information about our extensions is provided in the tables below:

| | Year Ended December 31, 2014 | Year Ended December 31, 2013 | Year Ended December 31, 2012 |
|---|---|---|---|
| Average number of extensions granted per month | 2,148 | 1,950 | 1,565 |
| Average number of outstanding accounts | 110,356 | 93,247 | 93,022 |
| Average monthly extensions as % of average outstandings | 1.9 % | 2.1 % | 1.7 % |

*Table excludes extensions on portfolios serviced for third parties*

| | December 31, 2014 | | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|---|
| | Number of Contracts | Amount | Number of Contracts | Amount | Number of Contracts | Amount |
| | | | (Dollars in thousands) | | | |
| Contracts with one extension | 19,662 | $253,366 | 16,047 | $189,684 | 13,003 | $94,021 |
| Contracts with two extensions | 6,378 | 79,774 | 4,397 | 38,499 | 4,801 | 23,214 |
| Contracts with three extensions | 1,603 | 17,452 | 1,486 | 7,790 | 2,822 | 13,096 |
| Contracts with four extensions | 365 | 2,710 | 634 | 2,519 | 1,134 | 5,371 |
| Contracts with five extensions | 74 | 442 | 224 | 1,059 | 196 | 1,038 |
| Contracts with six extensions | 32 | 157 | 50 | 309 | 26 | 124 |
| | 28,114 | $353,900 | 22,838 | $239,860 | 21,982 | $136,864 |
| Gross servicing portfolio | 123,944 | $1,643,471 | 99,099 | $1,228,579 | 89,163 | $885,990 |

*Table excludes extensions on portfolios serviced for third parties*

*Non-Accrual Receivables*

It is not uncommon for our obligors to fall behind in their payments. However, with the diligent efforts of our servicing staff and systems for managing our collection efforts, we regularly work with our customers to resolve delinquencies. Our staff is trained to employ a counseling approach to assist our customers with their cash flow management skills and help them to prioritize their payment obligations in order to avoid losing their vehicle to repossession. Through our experience, we have learned that once a contract becomes greater than 90 days past due, it is more likely than not that the delinquency will not be resolved and will ultimately result in a charge-off. As a result, we do not recognize any interest income or retain on our balance sheet any accrued interest for contracts that are greater than 90 days past due.

If an obligor exceeds the 90 days past due threshold at the end of one period, and then makes the necessary payments such that it becomes equal to or below 90 days delinquent at the end of a subsequent period, the related contract would be restored to full accrual status for our financial reporting purposes. At the time a contract is restored to full accrual in this manner, there can be no assurance that full repayment of interest and principal will ultimately be made. However, we monitor each obligor's payment performance and are aware of the severity of his delinquency at any time. The fact that the delinquency has been reduced below the 90-day threshold is a positive indicator. Should the contract again exceed the 90-day delinquency level at the end of any reporting period, it would again be reflected as a non-accrual account.

Our policy for placing a contract on non-accrual status is independent of our policy to grant an extension. In practice, it would be an uncommon circumstance where an extension was granted and the account remained in a non-accrual status, since the goal of the extension is to bring the contract current (or nearly current).

Securitization of Automobile Contracts

Throughout the period for which information is presented in this report, we have purchased automobile contracts with the intention of financing them on a long-term basis through securitizations, and on an interim basis through warehouse credit facilities. All such financings have involved identification of specific automobile contracts, sale of those automobile contracts (and associated rights) to one of our special-purpose subsidiaries, and issuance of asset-backed securities to be purchased by institutional investors. Depending on the structure, these transactions may be accounted for under generally accepted accounting principles as sales of the automobile contracts or as secured financings.

When structured to be treated as a secured financing for accounting purposes, the subsidiary is consolidated with us. Accordingly, the sold automobile contracts and the related debt appear as assets and liabilities, respectively, on our unaudited condensed consolidated balance sheet. We then periodically (i) recognize interest and fee income on the contracts, (ii) recognize interest expense on the securities issued in the transaction and (iii) record as expense a provision for credit losses on the contracts.

Since 1994 we have conducted 65 term securitizations (generally quarterly) of automobile contracts that we purchased from dealers under our regular programs. As of December 31, 2014, 16 of those securitizations are active and all but one are structured as secured financings. Our September 2010 transaction is our only active securitization that is structured as a sale of the related contracts. From 1994 through April 2008 we generally utilized financial guarantees for the senior asset-backed notes issued in the securitization. Since September 2010 we have utilized senior subordinated structures without any financial guarantees.

Our history of term securitizations, over the most recent ten years, is summarized in the table below:

**Recent Asset-Backed Term Securitizations**

| | $ in thousands | |
|---|---|---|
| Period | Number of Term Securitizations | Amount of Receivables |
| 2005 | 4 | $ 698,353 |
| 2006 | 4 | 957,681 |
| 2007 | 3 | 1,118,097 |
| 2008 | 2 | 509,022 |
| 2009 | 0 | – |
| 2010 | 1 | 103,772 |
| 2011 | 3 | 335,593 |
| 2012 | 4 | 603,500 |
| 2013 | 4 | 778,000 |
| 2014 | 4 | 923,000 |

Our 2012 securitizations included $58.2 million in contracts that were repurchased in 2012 from securitizations closed in 2006 and 2007. Our 2013 securitizations included $7.4 million in contracts that were repurchased from a securitization closed in 2008. Our 2010 securitization was, in substance, a re-securitization of the receivables from our second securitization of 2008 which allowed us to take advantage of a lower interest rate environment at that time.

From time to time we have also completed financings of our residual interests in other securitizations that we and our affiliates previously sponsored. As of December 31, 2014 we have one such residual interest financing outstanding.

Since December 2011, our securitizations have included a pre-funding feature in which a portion of the receivables to be sold to the securitization trust were not delivered until after the initial closing. As a result, our restricted cash balance at December 31, 2014 included $85.3 million from the proceeds of the sale of the asset-backed notes that were held by a trustee pending delivery of the remaining receivables. In January 2015, the requisite additional receivables were delivered to the securitization trust and we received the related restricted cash, most of which was used to repay amounts owed under our warehouse credit facilities.

Generally, prior to a securitization transaction we fund our automobile contract purchases primarily with proceeds from warehouse credit facilities. Our current short-term funding capacity is $200 million, comprising two credit facilities. The first $100 million credit facility was established in December 2010. This facility was renewed in March 2013, extending the revolving period to March 2015, and adding an amortization period through March 2017. Our second $100 million credit facility was established in May 2012. This facility was renewed in August 2014, extending the revolving period to August 2016, and adding an amortization period through August 2017.

In a securitization and in our warehouse credit facilities, we are required to make certain representations and warranties, which are generally similar to the representations and warranties made by dealers in connection with our purchase of the automobile contracts. If we breach any of our representations or warranties, we will be obligated to repurchase the automobile contract at a price equal to the principal balance plus accrued and unpaid interest. We may then be entitled under the terms of our dealer agreement to require the selling dealer to repurchase the contract at a price equal to our purchase price, less any principal payments made by the customer. Subject to any recourse against dealers, we will bear the risk of loss on repossession and resale of vehicles under automobile contracts that we repurchase.

Whether a securitization is treated as a secured financing or as a sale for financial accounting purposes, the related special purpose subsidiary may be unable to release excess cash to us if the credit performance of the securitized automobile contracts falls short of pre-determined standards. Such releases represent a material portion of the cash that we use to fund our operations. An unexpected deterioration in the performance of securitized automobile contracts could therefore have a material adverse effect on both our liquidity and results of operations, regardless of whether such automobile contracts are treated as having been sold or as having been financed.

Certain of our securitization transactions and our warehouse credit facilities contain various financial covenants requiring certain minimum financial ratios and results. Such covenants include maintaining minimum levels of liquidity and net worth and not exceeding maximum leverage levels. In addition, certain securitization and non-securitization related debt contain cross-default provisions that would allow certain creditors to declare a default if a default occurred under a different facility. As of December 31, 2014 we were in compliance with all such covenants.

Competition

The automobile financing business is highly competitive. We compete with a number of national, regional and local finance companies with operations similar to ours. In addition, competitors or potential competitors include other types of financial services companies, such as banks, leasing companies, credit unions providing retail loan financing and lease financing for new and used vehicles, and captive finance companies affiliated with major automobile manufacturers. Many of our competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than we do. Moreover, our future profitability will be directly related to the availability and cost of our capital in relation to the availability and cost of capital to our competitors. Our competitors and potential competitors include far larger, more established companies that have access to capital markets for unsecured commercial paper and investment grade-rated debt instruments and to other funding sources that may be unavailable to us. Many of these companies also have long-standing relationships with dealers and may provide other financing to dealers, including floor plan financing for the dealers' purchase of automobiles from manufacturers, which we do not offer.

We believe that the principal competitive factors affecting a dealer's decision to offer automobile contracts for sale to a particular financing source are the monthly payment amount made available to the dealer's customer, the purchase price offered for the automobile contracts, the timeliness of the response to the dealer upon submission of the initial application, the amount of required documentation, the consistency and timeliness of purchases and the financial stability of the funding source. While we believe that we can obtain from dealers sufficient automobile contracts for purchase at attractive prices by consistently applying reasonable underwriting criteria and making timely purchases of qualifying automobile contracts, there can be no assurance that we will do so.

Regulation

Several federal and state consumer protection laws, including the federal Truth-In-Lending Act, the federal Equal Credit Opportunity Act, the federal Fair Debt Collection Practices Act and the Federal Trade Commission Act, regulate consumer credit transactions. These laws mandate certain disclosures with respect to finance charges on automobile contracts and impose certain other restrictions. In most states, a license is required to engage in the business of purchasing automobile contracts from dealers. In addition, laws in a number of states impose limitations on the amount of finance charges that may be charged by dealers on credit sales. The so-called Lemon Laws enacted by various states provide certain rights to purchasers with respect to automobiles that fail to satisfy express warranties. The application of Lemon Laws or violation of such other federal and state laws may give rise to a claim or defense of a customer against a dealer and its assignees, including us and those who purchase automobile contracts from us. The dealer agreement contains representations by the dealer that, as of the date of assignment of automobile contracts, no such claims or defenses have been asserted or threatened with respect to the automobile contracts and that all requirements of such federal and state laws have been complied with in all material respects. Although a dealer would be obligated to repurchase automobile contracts that involve a breach of such warranty, there can be no assurance that the dealer will have the financial resources to satisfy its repurchase obligations. Certain of these laws also regulate our servicing activities, including our methods of collection.

In July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") became law. The Dodd-Frank Act restructured the regulation and supervision of the financial services industry and created the Consumer Financial Protection Bureau (the "CFPB"). The CFPB has rulemaking and enforcement authority over "non-banks," including us. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and will require extensive rulemaking. As a result, the ultimate effect of the Dodd-Frank Act on our business cannot be determined at this time. We believe that we are currently in material compliance with applicable statutes and regulations; however, there can be no assurance that we are correct, nor that we will be able to maintain such compliance. The past or future failure to comply with applicable statutes and regulations could have a material adverse effect on us. Furthermore, the adoption of additional statutes and regulations, changes in the interpretation and enforcement of current statutes and regulations or the expansion of our business into jurisdictions that have adopted more stringent regulatory requirements than those in which we currently conduct business could have a material adverse effect on us. In addition, due to the consumer-oriented nature of our industry and the application of certain laws and regulations, industry participants are regularly named as defendants in litigation involving alleged violations of federal and state laws and regulations and consumer law torts, including fraud. Many of these actions involve alleged violations of consumer protection laws. A significant judgment against us or within the industry in connection with any such litigation could have a material adverse effect on our financial condition, results of operations or liquidity.

## Employees

As of December 31, 2014, we had 869 employees. The breakdown of the employees is as follows: 11 were senior management personnel; 445 were servicing personnel; 210 were automobile contract origination personnel; 155 were marketing personnel (130 of whom were marketing representatives); 26 were operations and systems personnel; and 22 were administrative personnel. We believe that our relations with our employees are good. We are not a party to any collective bargaining agreement.

## Item 1A. RISK FACTORS

Our business, operating results and financial condition could be adversely affected by any of the following specific risks. The trading price of our common stock could decline due to any of these risks and other industry risks. This listing of risks by its nature cannot be exhaustive, and the order in which the risks appear is not intended as an indication of their relative weight or importance. In addition to the risks described below, we may encounter risks that we do not currently recognize or that we currently deem immaterial, which may also impair our business operations and the value of our common stock.

### Risks Related to Our Business

We Require a Substantial Amount of Cash to Service Our Substantial Debt.

To service our existing substantial indebtedness, we require a significant amount of cash. Our ability to generate cash depends on many factors, including our successful financial and operating performance. Our financial and operational performance depends upon a number of factors, many of which are beyond our control. These factors include, without limitation:

- the economic and competitive conditions in the asset-backed securities market;
- the performance of our current and future automobile contracts;
- the performance of our residual interests from our securitizations and warehouse credit facilities;
- any operating difficulties or pricing pressures we may experience;
- our ability to obtain credit enhancement for our securitizations;
- our ability to establish and maintain dealer relationships;
- the passage of laws or regulations that affect us adversely;
- our ability to compete with our competitors; and
- our ability to acquire and finance automobile contracts.

Depending upon the outcome of one or more of these factors, we may not be able to generate sufficient cash flow from operations or obtain sufficient funding to satisfy all of our obligations. Such factors may result in our being unable to pay our debts timely or as agreed. If we were unable to pay our debts, we would be required to pursue one or more alternative strategies, such as selling assets, refinancing or restructuring our indebtedness or selling additional equity capital. These alternative strategies might not be feasible at the time, might prove inadequate, or could require the prior consent of our lenders. If executed, these strategies could reduce the earnings available to our shareholders.

We Need Substantial Liquidity to Operate Our Business.

We have historically funded our operations principally through internally generated cash flows, sales of debt and equity securities, including through securitizations and warehouse credit facilities, borrowings under senior secured debt agreements and sales of subordinated notes. However, we may not be able to obtain sufficient funding for our future operations from such sources. During 2008, 2009 and much of 2010, our access to the capital markets was impaired with respect to both short-term and long-term funding. While our access to such funding has improved since then, our results of operations, financial condition and cash flows have been and may continue to be materially and adversely affected. We require a substantial amount of cash liquidity to operate our business. Among other things, we use such cash liquidity to:

- acquire automobile contracts;
- fund overcollateralization in warehouse credit facilities and securitizations;
- pay securitization fees and expenses;
- fund spread accounts in connection with securitizations;
- satisfy working capital requirements and pay operating expenses;
- pay taxes; and
- pay interest expense.

Historically we have matched our liquidity needs to our available sources of funding by reducing our acquisition of new automobile contracts, at times to merely nominal levels. There can be no assurance that we will continue to be successful with that strategy.

Periods of Significant Losses.

From time to time throughout our history we have incurred net losses, most recently over the period beginning with the quarter ended September 30, 2008 and ending with the quarter ended September 30, 2011. We were adversely affected by the economic recession affecting the United States as a whole, until recently by increased financing costs and decreased availability of capital to fund our purchases of automobile contracts, and by a decrease in the overall level of sales of automobiles and light trucks. Similar periods of losses began in the quarter ended March 31, 1999 through the quarter ended December 31, 2000 and also from the quarter ended September 30, 2003 through the quarter ended March 31, 2005.

We expect to earn quarterly profits during 2015; however, there can be no assurance as to that expectation. Our expectation of profitability is a forward-looking statement. We discuss the assumptions underlying that expectation under the caption “Forward-Looking Statements” in this report. We identify important factors that could cause actual results to differ, generally in the “Risk Factors” section of this report, and also under the caption “Forward-Looking Statements.” One reason for our expectation is that we have had positive net income throughout the three years ended December 31, 2014.

For the year ended December 31, 2014, our pretax income was $52.2 million, compared to pretax income of $37.2 million and $9.2 million for the years 2013 and 2012, respectively, and a pretax loss of $14.5 million for the year 2011. Our net income for 2014 was $29.5 million, or $0.92 per diluted share, compared to net income of $21.0 million, or $.67 per diluted share and $69.4 million, or $2.72 per diluted share for the years 2013 and 2012 respectively, and a net loss of $14.5 million, or $0.76 per diluted share, for 2011. Net income for 2012 includes an income tax benefit of $60.2 million, or $2.36 per diluted share, related to reversal of a valuation allowance against our deferred tax asset. Such tax benefit cannot be expected to recur.

Our Results of Operations Will Depend on Our Ability to Secure and Maintain Adequate Credit and Warehouse Financing on Favorable Terms.

Our business strategy requires that warehouse credit facilities be available in order to purchase significant volumes of receivables.

Historically, our primary sources of day-to-day liquidity have been our warehouse credit facilities, in which we sold and contributed automobile contracts, as often as twice a week, to special-purpose subsidiaries, where they were "warehoused" until they were financed on a long-term basis through the issuance of asset-backed notes. Upon issuance of the notes, funds advanced under one or more warehouse credit facilities were repaid from the proceeds. Our current short-term funding capacity is $200 million, comprising two credit facilities. The first $100 million credit facility was established in December 2010. This facility was renewed in March 2013, extending the revolving period to March 2015, and adding an amortization period through March 2017. Our second $100 million credit facility was established in May 2012. This facility was renewed in August 2014, extending the revolving period to August 2016, and adding an amortization period through August 2017. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Liquidity”.

If we are unable to maintain warehouse financing on acceptable terms, we might curtail or cease our purchases of new automobile contracts, which could lead to a material adverse effect on our results of operations, financial condition and cash flows.

Our Results of Operations Will Depend on Our Ability to Securitize Our Portfolio of Automobile Contracts.

Historically we have depended upon our ability to obtain permanent financing for pools of automobile contracts by conducting term securitization transactions. By "permanent financing" we mean financing that extends to cover the full term during which the underlying automobile contracts are outstanding and requires repayment as the underlying automobile contracts are repaid or charged off. By contrast, our warehouse credit facilities permit us to borrow against the value of such receivables only for limited periods of time. Our past practice and future plan has been and is to repay loans made to us under our warehouse credit facilities with the proceeds of securitizations. There can be no assurance that any securitization transaction will be available on terms acceptable to us, or at all. The timing of any securitization transaction is affected by a number of factors beyond our control, any of which could cause substantial delays, including, without limitation:

- market conditions;
- the approval by all parties of the terms of the securitization;
- our ability to acquire a sufficient number of automobile contracts for securitization.

As stated elsewhere in this report, during 2008 and 2009 we observed adverse changes in the market for securitized pools of automobile contracts, which made permanent financing in the form of securitization transactions difficult to obtain and more costly than in prior periods. These changes included reduced liquidity and reduced demand for asset-backed securities, particularly for securities carrying a financial guaranty or for securities backed by sub-prime automobile receivables. Although we have seen improvements in the capital markets from 2010 through 2013, as compared to 2008 and 2009, if the trend of improvement in the markets for asset-backed securities should reverse, we could expect a material adverse effect on our results of operations.

Our Results of Operations Will Depend on Cash Flows from Our Residual Interests in Our Securitization Program and Our Warehouse Credit Facilities.

When we finance our automobile contracts through securitizations and warehouse credit facilities, we receive cash and a residual interest in the assets financed. Those financed assets are owned by the special-purpose subsidiary that is formed for the related securitization. This residual interest represents the right to receive the future cash flows to be generated by the automobile contracts in excess of (i) the interest and principal paid to investors or lenders on the indebtedness issued in connection with the financing, (ii) the costs of servicing the automobile contracts and (iii) certain other costs incurred in connection with completing and maintaining the securitization or warehouse credit facility. We sometimes refer to these future cash flows as "excess spread cash flows."

Under the financial structures we have used to date in our securitizations and warehouse credit facilities, excess spread cash flows that would otherwise be paid to the holder of the residual interest are first used to increase overcollateralization or are retained in a spread account within the securitization trusts or the warehouse facility to provide liquidity and credit enhancement for the related securities.

While the specific terms and mechanics vary among transactions, our securitization and warehousing agreements generally provide that we will receive excess spread cash flows only if the amount of overcollateralization and spread account balances have reached specified levels and/or the delinquency, defaults or net losses related to the automobile contracts in the automobile contract pools are below certain predetermined levels. In the event delinquencies, defaults or net losses on automobile contracts exceed these levels, the terms of the securitization or warehouse credit facility:

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- may require increased credit enhancement, including an increase in the amount required to be on deposit in the spread account to be accumulated for the particular pool; and
- in certain circumstances, may permit affected parties to require the transfer of servicing on some or all of the securitized or warehoused contracts from us to an unaffiliated servicer.

We typically retain residual interests or use them as collateral to borrow cash. In any case, the future excess spread cash flow received in respect of the residual interests is integral to the financing of our operations. The amount of cash received from residual interests depends in large part on how well our portfolio of securitized and warehoused automobile contracts performs. If our portfolio of securitized and warehoused automobile contracts has higher delinquency and loss ratios than expected, then the amount of money realized from our retained residual interests, or the amount of money we could obtain from the sale or other financing of our residual interests, would be reduced. Such higher than expected losses occurred in 2008 through 2010, which had an adverse effect on our operations, financial condition and cash flows. While losses have not occurred since the third quarter of 2011, should significant losses reoccur we would expect this to result in material adverse effects on our future results of operations, financial condition and cash flows.

If We Are Unable to Obtain Credit Enhancement for Our Securitizations Upon Favorable Terms, Our Results of Operations Would Be Impaired.

In our securitizations from 1994 through 2008, we utilized credit enhancement in the form of one or more financial guaranty insurance policies issued by financial guaranty insurance companies. Each of these policies unconditionally and irrevocably guarantees timely interest and ultimate principal payments on the senior classes of the securities issued in those securitizations. These guarantees enabled these securities to achieve the highest credit rating available. This form of credit enhancement reduced the costs of our securitizations relative to alternative forms of credit enhancement available to us at the time. Due to significantly reduced investor demand for securities carrying such a financial guaranty, this form of credit enhancement may not be economical for us in the future. The 16 securitization transactions we executed from 2010 through 2014 did not utilize financial guaranty insurance policies, and none of the securities issued in those transactions received the highest possible credit ratings. As we pursue future securitizations, we may not be able to obtain:

- credit enhancement in any form on terms acceptable to us, or at all; or
- similar highest available credit ratings for senior classes of securities to be issued in future securitizations.

We expect to pay a greater credit spread than we have seen in the past between our securitization trust debt and risk-free investments. As of the date of this report, interest rates on risk-free debt are close to historical lows, which have offset much of the adverse effect on us of greater credit spreads. When interest rates on risk-free debt increase, we would expect increased interest expense, which could adversely affect our results of operations.

If We Are Unable to Compete Successfully with our Competitors, Our Results of Operations May Be Impaired.

The automobile financing business is highly competitive. We compete with a number of national, regional and local finance companies. In addition, competitors or potential competitors include other types of financial services companies, such as commercial banks, savings and loan associations, leasing companies, credit unions providing retail loan financing and lease financing for new and used vehicles and captive finance companies affiliated with major automobile manufacturers, such as Ford Motor Credit Corporation. Many of our competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than we do, including greater access to capital markets for unsecured commercial paper and investment grade rated debt instruments, and to other funding sources which may be unavailable to us. Moreover, our future profitability will be directly related to the availability and cost of our capital relative to that of our competitors. Many of these companies also have long-standing relationships with automobile dealers and may provide other financing to dealers, including floor plan financing for the dealers' purchases of automobiles from manufacturers, which we do not offer. There can be no assurance that we will be able to continue to compete successfully and, as a result, we may not be able to purchase automobile contracts from dealers at a price acceptable to us, which could result in reductions in our revenues or the cash flows available to us.

If Our Dealers Do Not Submit a Sufficient Number of Suitable Automobile Contracts to Us for Purchase, Our Results of Operations May Be Impaired.

We are dependent upon establishing and maintaining relationships with a large number of unaffiliated automobile dealers to supply us with automobile contracts. During the years ended December 31, 2014 and 2013, no single dealer accounted for more than 0.4% and 0.9%, respectively, of the automobile contracts we purchased. The agreements we have with dealers to purchase automobile contracts do not require dealers to submit a minimum number of automobile contracts for purchase. The failure of dealers to submit automobile contracts that meet our underwriting criteria could result in reductions in our revenues or the cash flows available to us, and, therefore, could have an adverse effect on our results of operations.

If a Significant Number of Our Automobile Contracts Experience Defaults, Our Results of Operations May Be Impaired.

We specialize in the purchase and servicing of automobile contracts to finance automobile purchases by sub-prime customers, those who have limited credit history, low income, or past credit problems. Such automobile contracts entail a higher risk of non-performance, higher delinquencies and higher losses than automobile contracts with more creditworthy customers. While we believe that our pricing of the automobile contracts and the underwriting criteria and collection methods we employ enable us to control, to a degree, the higher risks inherent in automobile contracts with sub-prime customers, no assurance can be given that such pricing, criteria and methods will afford adequate protection against such risks. During the 2008-2010 period we experienced increases in the delinquency of, and credit losses on, our automobile contracts.

If automobile contracts that we purchase and hold experience defaults to a greater extent than we have anticipated, this could materially and adversely affect our results of operations, financial condition, cash flows and liquidity. Our results of operations, financial condition, cash flows and liquidity, depend, to a material extent, on the performance of automobile contracts that we purchase, warehouse and securitize. A portion of the automobile contracts that we acquire will default or prepay. In the event of payment default, the collateral value of the vehicle securing an automobile contract realized by us in a repossession will generally not cover the outstanding principal balance on that automobile contract and the related costs of recovery. We maintain an allowance for credit losses on automobile contracts held on our balance sheet, which reflects our estimates of probable credit losses that can be reasonably estimated for securitizations that are accounted for as financings and warehoused automobile contracts. If the allowance is inadequate, then we would recognize the losses in excess of the allowance as an expense and our results of operations could be adversely affected. In addition, under the terms of our warehouse credit facilities, we are not able to borrow against defaulted automobile contracts, including automobile contracts that are, at the time of default, funded under our warehouse credit facilities, which will reduce the overcollateralization of those warehouse credit facilities and possibly reduce the amount of cash flows available to us.

If We Lose Servicing Rights on Our Portfolio of Automobile Contracts, Our Results of Operations Would Be Impaired.

We are entitled to receive servicing fees only while we act as servicer under the applicable sale and servicing agreements governing our warehouse credit facilities and securitizations. Under such agreements, we may be terminated as servicer upon the occurrence of certain events, including:

- our failure generally to observe and perform our responsibilities and other covenants;
- certain bankruptcy events; or
- the occurrence of certain events of default under the documents governing the facilities.

The loss of our servicing rights could materially and adversely affect our results of operations, financial condition and cash flows. Our results of operations, financial condition and cash flow, would be materially and adversely affected if we were to be terminated as servicer with respect to a material portion of our managed portfolio.

If We Lose Key Personnel, Our Results of Operations May Be Impaired.

Our senior management team averages over 18 years of service with us. Charles E. Bradley, Jr., our President and CEO, has been our President since our formation in 1991. Our future operating results depend in significant part upon the continued service of our key senior management personnel, none of whom is bound by an employment agreement. Our future operating results also depend in part upon our ability to attract and retain qualified management, technical, sales and support personnel for our operations. Competition for such personnel is intense. We cannot assure you that we will be successful in attracting or retaining such personnel. Layoffs since 2008 may have reduced employee loyalty, which may in turn result in decreased employee performance. Conversely, adverse general economic conditions may have had a countervailing effect. The loss of any key employee, the failure of any key employee to perform in his or her current position or our inability to attract and retain skilled employees, as needed, could materially and adversely affect our results of operations, financial condition and cash flow.

If We Fail to Comply with Regulations, Our Results of Operations May Be Impaired.

Failure to materially comply with all laws and regulations applicable to us could materially and adversely affect our ability to operate our business. Our business is subject to numerous federal and state consumer protection laws and regulations, which, among other things:

- require us to obtain and maintain certain licenses and qualifications;
- limit the interest rates, fees and other charges we are allowed to charge;
- limit or prescribe certain other terms of our automobile contracts;
- require specific disclosures to our customers;
- define our rights to repossess and sell collateral; and
- maintain safeguards designed to protect the security and confidentiality of customer information.

Our industry is also at times investigated by regulators and offices of state attorneys general, which could lead to enforcement actions, fines and penalties, or the assertion of private claims and law suits against us. The Federal Trade Commission ("FTC") has the authority to investigate consumer complaints against us, to conduct inquiries at its own instance, and to recommend enforcement actions and seek monetary penalties. The FTC has conducted an inquiry into our practices, and proposed remedial action against us in 2014, to which we have consented. See Legal Proceedings – FTC Action. The Consumer Financial Protection Bureau ("CFPB") has proposed regulations that will, if adopted as proposed, place us and other companies similar to us under the supervision of the CFPB. Our industry is also under investigation by the United States Department of Justice, which is conducting an inquiry that appears to be focused on securitization practices. In that inquiry, we received a subpoena in January 2015, which requires that we produce specified documents. We are cooperating with that inquiry. Such inquiry could in the future result in the imposition of damages, fines or civil or criminal claims and/or penalties. No assurance can be given as to the ultimate outcome of the inquiry or any resulting proceeding(s), which might materially and adversely affect us.

If we fail to comply with applicable laws and regulations, such failure could result in penalties, litigation losses and expenses, damage to our reputation, or the suspension or termination of our licenses to conduct business, which would materially adversely affect our results of operations, financial condition and stock price. In addition, new federal and state laws or regulations or changes in the ways that existing rules or laws are interpreted or enforced could limit our activities in the future or significantly increase the cost of compliance. Furthermore, judges or regulatory bodies could interpret current rules or laws differently than the way we do, leading to such adverse consequences as described above. The resolution of such matters may require considerable time and expense, and if not resolved in our favor, may result in fines or damages, and possibly an adverse effect on our financial condition.

We believe that we are in compliance in all material respects with all such laws and regulations, and that such laws and regulations have had no material adverse effect on our ability to operate our business. However, we may be materially and adversely affected if we fail to comply with:

- applicable laws and regulations;
- changes in existing laws or regulations;
- changes in the interpretation of existing laws or regulations; or
- any additional laws or regulations that may be enacted in the future.

Recent Legislation and Proposed Regulations May Have an Adverse Effect on Our Business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") mandates the most wide-ranging overhaul of financial industry regulation in decades. Dodd-Frank was signed into law on July 21, 2010, and is now in the implementation stage. The law provides a regulatory framework and requires that regulators, some of which are new regulatory bodies created by Dodd-Frank, draft, review and approve more than 200 implementing regulations and conduct numerous studies that are likely to lead to still more regulations.

The Dodd-Frank Act includes risk retention requirements. Six federal agencies recently approved a rule implementing these requirements. The rule, which is set to become effective in October 2015, generally requires sponsors of asset-backed securities (ABS), such as us, to retain not less than five percent of the credit risk of the assets collateralizing the ABS issuance. The rule also sets forth prohibitions on transferring or hedging the credit risk that the sponsor is required to retain. The final rule also does not require any retention for securitizations of commercial loans, commercial mortgages, or automobile loans if they meet specific standards for high quality underwriting. If we do not meet this exception, our future securitization structures may be adversely affected by the risk retention requirement.

In addition, the Commission is considering amendments to regulations first adopted in 2005 known as Regulation AB. The amendments to Regulation AB have yet to be adopted and are expected to be significantly modified from the form initially proposed, however, the final form of the amendments to Regulation AB when adopted are expected to affect adversely our ability to complete securitization transactions without increased expense.

Compliance with these new laws and regulations may be or likely will be costly and can affect operating results. Compliance requires forms, processes, procedures, controls and the infrastructure to support these requirements. Compliance may create operational constraints and place limits on pricing. Laws in the financial services industry are designed primarily for the protection of consumers. The failure to comply could result in significant statutory civil and criminal penalties, monetary damages, attorneys' fees and costs, possible revocation of licenses and damage to reputation, brand and valued customer relationships.

At this time, it is difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations or the Regulation AB amendments will affect our business. However, compliance with these new laws and regulations may result in additional cost and expenses, which may adversely affect our results of operations, financial condition or liquidity.

If We Experience Unfavorable Litigation Results, Our Results of Operations May Be Impaired.

We operate in a litigious society and currently are, and may in the future be, named as defendants in litigation, including individual and class action lawsuits under consumer credit, consumer protection, theft, privacy, data security, automated dialing equipment, debt collections and other laws. Many of these cases present novel issues on which there is no clear legal precedent, which increases the difficulty in predicting both the potential outcomes and costs of defending these cases. We are subject to regulatory examinations, investigations, inquiries, litigation, and other actions by licensing authorities, state attorneys general, the Federal Trade Commission, the Consumer Financial Protection Bureau and other governmental bodies relating to our activities. The litigation and regulatory actions to which we are or may become subject involve or may involve potential compensatory or punitive damage claims, fines, sanctions or injunctive relief that, if granted, could require us to pay damages or make other expenditures in amounts that could have a material adverse effect on our financial position and our results of operations. We have recorded loss contingencies in our financial statements only for matters on which losses are probable and can be reasonably estimated. Our assessments of these matters involve significant judgments, and may change from time to time. Actual losses incurred by us in connection with judgments or settlements of these matters may be more than our associated reserves. Furthermore, defending lawsuits and responding to governmental inquiries or investigations, regardless of their merit, could be costly and divert management's attention from the operation of our business. Unfavorable outcomes in any such current or future proceedings could materially and adversely affect our results of operations, financial conditions and cash flows. As a consumer finance company, we are subject to various consumer claims and litigation seeking damages and statutory penalties based upon, among other things, disclosure inaccuracies and wrongful repossession, which could take the form of a plaintiff's class action complaint. We, as the assignee of finance contracts originated by dealers, may also be named as a co-defendant in lawsuits filed by consumers principally against dealers. We are also subject to other litigation common to the automobile industry and to businesses in general. The damages and penalties claimed by consumers and others in these types of matters can be substantial. The relief requested by the plaintiffs varies but includes requests for compensatory, statutory and punitive damages.

While we intend to vigorously defend ourselves against such proceedings, there is a chance that our results of operations, financial condition and cash flows could be materially and adversely affected by unfavorable outcomes.

Negative publicity associated with litigation, governmental investigations, regulatory actions, and other public statements could damage our reputation.

From time to time there are negative news stories about the “sub-prime” credit industry. Such stories may follow the announcements of litigation or regulatory actions involving us or others in our industry. Negative publicity about our alleged or actual practices or about our industry generally could adversely affect our stock price and our ability to retain and attract employees.

If We Experience Problems with Our Originations, Accounting or Collection Systems, Our Results of Operations May Be Impaired.

We are dependent on our receivables originations, accounting and collection systems to service our portfolio of automobile contracts. Such systems are vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses and other events. A significant number of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Our systems are also subject to break-ins, sabotage and intentional acts of vandalism by internal employees and contractors as well as third parties. Despite any precautions we may take, such problems could result in interruptions in our services, which could harm our reputation and financial condition. We do not carry business interruption insurance sufficient to compensate us for losses that may result from interruptions in our service as a result of system failures. Such systems problems could materially and adversely affect our results of operations, financial conditions and cash flows.

We Have Substantial Indebtedness.

We currently have and will continue to have a substantial amount of indebtedness. At December 31, 2014, we had approximately $1,684.1 million of debt outstanding. Such debt consisted primarily of $1,598.5 million of securitization trust debt, and also included $1.3 million of debt used for the acquisition of the Fireside portfolio, $56.8 million of warehouse lines of credit, $12.3 million of residual interest financing and $15.2 million in subordinated renewable notes. We are also currently offering the subordinated renewable notes to the public on a continuous basis, and such notes have maturities that range from three months to 10 years.

Our substantial indebtedness could adversely affect our financial condition by, among other things:

- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing amounts available for working capital, capital expenditures and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors that have less debt; and
- limiting our ability to borrow additional funds.

Although we believe we are able to service and repay such debt, there is no assurance that we will be able to do so. If we do not generate sufficient operating profits, our ability to make required payments on our debt would be impaired. Failure to pay our indebtedness when due would give rise to various remedies in favor of any unpaid creditors, and creditors’ exercise of such remedies could have a material adverse effect on our earnings.

Because We Are Subject to Many Restrictions in Our Existing Credit Facilities and Securitization Transactions, Our Ability to Pay Dividends or Engage in Specified Transactions May Be Impaired.

The terms of our existing credit facilities, term securitizations and our other outstanding debt impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests. These restrictions may have an adverse effect on our business activities, results of operations and financial condition. These restrictions may also significantly limit or prohibit us from engaging in certain transactions, including the following:

- incurring or guaranteeing additional indebtedness;
- making capital expenditures in excess of agreed upon amounts;
- paying dividends or other distributions to our shareholders or redeeming, repurchasing or retiring our capital stock or subordinated obligations;
- making investments;
- creating or permitting liens on our assets or the assets of our subsidiaries;
- issuing or selling capital stock of our subsidiaries;
- transferring or selling our assets;
- engaging in mergers or consolidations;
- permitting a change of control of our company;
- liquidating, winding up or dissolving our company;
- changing our name or the nature of our business, or the names or nature of the business of our subsidiaries; and
- engaging in transactions with our affiliates outside the normal course of business.

These restrictions may limit our ability to obtain additional sources of capital, which may limit our ability to generate earnings. In addition, the failure to comply with any of the covenants of one or more of our debt agreements could cause a default under other debt agreements that may be outstanding from time to time. A default, if not waived, could result in acceleration of the related indebtedness, in which case such debt would become immediately due and payable. A continuing default or acceleration of one or more of our credit facilities or any other debt agreement, would likely cause a default under other debt agreements that otherwise would not be in default, in which case all such related indebtedness could be accelerated. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance our indebtedness. Even if any new financing is available, it may not be on terms that are acceptable to us or it may not be sufficient to refinance all of our indebtedness as it becomes due.

In addition, the transaction documents for our securitizations restrict our securitization subsidiaries from declaring or making payment to us of (i) any dividend or other distribution on or in respect of any shares of their capital stock, or (ii) any payment on account of the purchase, redemption, retirement or acquisition of any option, warrant or other right to acquire shares of their capital stock unless (in each case) at the time of such declaration or payment (and after giving effect thereto) no amount payable under any transaction document with respect to the related securitization is then due and owing, but unpaid. These restrictions may limit our ability to receive distributions in respect of the residual interests from our securitization facilities, which may limit our ability to generate earnings.

## Risks Related to General Factors

### If The Economy of All or Certain Regions of the United States Falls into Recession, Our Results of Operations May Be Impaired.

Our business is directly related to sales of new and used automobiles, which are sensitive to employment rates, prevailing interest rates and other domestic economic conditions. Delinquencies, repossessions and losses generally increase during economic slowdowns or recessions. Because of our focus on sub-prime customers, the actual rates of delinquencies, repossessions and losses on our automobile contracts could be higher under adverse economic conditions than those experienced in the automobile finance industry in general, particularly in the states of California, Texas, Georgia, Pennsylvania and Ohio, states in which our automobile contracts are geographically concentrated. Any sustained period of economic slowdown or recession could adversely affect our ability to acquire suitable automobile contracts, or to securitize pools of such automobile contracts. The timing of any economic changes is uncertain, and weakness in the economy could have an adverse effect on our business and that of the dealers from which we purchase automobile contracts and result in reductions in our revenues or the cash flows available to us.

### Our Results of Operations May Be Impaired as a Result of Natural Disasters.

Our automobile contracts are geographically concentrated in the states of California and Texas. Such states may be particularly susceptible to natural disasters: earthquake in the case of California, and hurricanes and flooding in Texas. Natural disasters, in those states or others, could cause a material number of our vehicle purchasers to lose their jobs, or could damage or destroy vehicles that secure our automobile contracts. In either case, such events could result in our receiving reduced collections on our automobile contracts, and could thus result in reductions in our revenues or the cash flows available to us.

If an Increase in Interest Rates Results in a Decrease in Our Cash Flows from Excess Spread, Our Results of Operations May Be Impaired.

Our profitability is largely determined by the difference, or "spread," between the effective interest rate we receive on the automobile contracts that we acquire and the interest rates payable under warehouse credit facilities and on the asset-backed securities issued in our securitizations. In the past, disruptions in the market for asset-backed securities resulted in an increase in the interest rates we paid on asset-backed securities. Should similar disruptions take place in the future, we may pay higher interest rates on asset-backed securities issued in the future. Although we have the ability to partially offset increases in our cost of funds by increasing fees we charge to dealers when purchasing automobile contracts, or by demanding higher interest rates on automobile contracts we purchase, there is no assurance that such actions will materially offset increases in interest we pay to finance our managed portfolio. As a result, an increase in prevailing interest rates could cause us to receive less excess spread cash flows on automobile contracts, and thus could adversely affect our earnings and cash flows. See “Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk.”

Risks Related to Our Common Stock

Our Common Stock Is Thinly-Traded.

Our stock is thinly-traded, which means investors will have limited opportunities to sell their shares of common stock in the open market. Limited trading of our common stock also contributes to more volatile price fluctuations. Because there historically has been low trading volume in our common stock, there can be no assurance that our stock price will not decline as additional shares are sold in the public market. As of December 31, 2014, our directors and executive officers collectively owned 4,234,994 shares of our common stock, or approximately 17%.

We Do Not Intend to Pay Dividends on Our Common Stock.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. See "Dividend Policy".

Forward-Looking Statements

Discussions of certain matters contained in this report may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Exchange Act, and as such, may involve risks and uncertainties. These forward-looking statements relate to, among other things, expectations of the business environment in which we operate, projections of future performance, perceived opportunities in the market and statements regarding our mission and vision. You can generally identify forward-looking statements as statements containing the words "will," "would," "believe," "may," "could," "expect," "anticipate," "intend," "estimate," "assume" or other similar expressions. Our actual results, performance and achievements may differ materially from the results, performance and achievements expressed or implied in such forward-looking statements. The discussion under "Risk Factors" identifies some of the factors that might cause such a difference, including the following:

- changes in general economic conditions;
- changes in performance of our automobile contracts;
- increases in interest rates;
- our ability to generate sufficient operating and financing cash flows;
- competition;
- level of losses incurred on contracts in our managed portfolio; and

· adverse decisions by courts or regulators

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Actual results may differ from expectations due to many factors beyond our ability to control or predict, including those described herein, and in documents incorporated by reference in this report. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

We undertake no obligation to publicly update any forward-looking information. You are advised to consult any additional disclosure we make in our periodic reports filed with the SEC. See "Where You Can Find More Information" and "Documents Incorporated by Reference."

## Item 1B. Unresolved Staff Comments

Not applicable.

## Item 2. Properties

Our principal executive offices are located in Las Vegas, Nevada. Our operating headquarters are located in Irvine, California, where we lease approximately 60,000 square feet of general office space from an unaffiliated lessor. The annual base rent is approximately $1.77 million, increasing to approximately $1.80 million through 2016.

In March 1997, we established a branch collection facility in Chesapeake, Virginia. We lease approximately 16,500 square feet of general office space in Chesapeake, Virginia, at a base rent that is approximately $280,000 per year, increasing to approximately $325,000 through 2018.

The remaining three regional servicing centers occupy a total of approximately 68,000 square feet of leased space in Las Vegas, Nevada; Maitland, Florida; and Lombard, Illinois. The termination dates of such leases range from 2018 to 2019. The annual base rent for these facilities total approximately $1.43 million increasing to approximately $1.64 million through 2019.

Item 3. Legal Proceedings

*Consumer Litigation.* We are routinely involved in various legal proceedings resulting from our consumer finance activities and practices, both continuing and discontinued. Consumers can and do initiate lawsuits against us alleging violations of law applicable to collection of receivables, and such lawsuits sometimes allege that resolution as a class action is appropriate. We are currently defending two such purported class actions, one of which has been settled by agreement with the plaintiffs (such settlement remains subject to approval by the court). For the most part, we have legal and factual defenses to such claims, which we routinely contest or settle (for immaterial amounts) depending on the particular circumstances of each case. We have recorded a liability as of December 31, 2014 with respect to such matters, in the aggregate.

*FTC Action*. In July 2013, the staff of the U.S. Federal Trade Commission ("FTC") advised us that they were prepared to recommend that the FTC initiate a lawsuit against us relating to allegedly unfair trade practices, and simultaneously advised that settlement of such issues by consent decree might be achieved. On May 29, 2014, the FTC announced its agreement to settle the matter by filing a lawsuit against us, and requesting, with our consent, that the court enter an agreed judgment against us. The lawsuit arose out of the FTC's inquiry into our business practices. Under the agreed settlement, we made approximately $1.9 million of restitutionary payments and $1.6 million of account adjustments to our customers in September 2014, paid a $2 million penalty to the federal government in June 2014, and implemented procedural changes, all pursuant to a consent decree that was entered by the court in June 2014.

*Department of Justice Subpoena.* In January 2015, we were served with a subpoena by the U.S. Department of Justice directing us to produce certain documents relating to our and our subsidiaries' and affiliates' origination and securitization of sub-prime automobile contracts since 2005 in connection with an investigation by the U.S. Department of Justice in contemplation of a civil proceeding for potential violations of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Among other matters, the subpoena requests information relating to the underwriting criteria used to originate these automobile contracts and the representations and warranties relating to those underwriting criteria that were made in connection with the securitization of the automobile contracts. We are among several other securitizers of sub-prime automobile receivables who have received such a subpoena in 2015. We are investigating these matters internally and are cooperating with the request. Such investigation could in the future result in the imposition of damages, fines or civil or criminal claims and/or penalties. No assurance can be given as to the ultimate outcome of the investigation or any resulting proceeding(s), which might materially and adversely affect us.

*In General*. There can be no assurance as to the outcomes of any of the matters referenced above. We have recorded a liability as of December 31, 2014, which represents our best estimate of probable incurred losses for legal contingencies, including all of the matters described or referenced above. The amount of losses that may ultimately be incurred cannot be estimated with certainty. However, based on such information as is available to us, we believe that the range of reasonably possible losses for the legal proceedings and contingencies described or referenced above, as of December 31, 2014, and in excess of the liability we have recorded, is from $0 to $1.5 million.

Accordingly, we believe that the ultimate resolution of such legal proceedings and contingencies, after taking into account our current litigation reserves, should not have a material adverse effect on our consolidated financial condition. We note, however, that in light of the uncertainties inherent in contested proceedings, there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves we have accrued; as a result, the outcome of a particular matter may be material to our operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of our income for that period.

Executive Officers of the Registrant

*Charles E. Bradley, Jr.*, 55, has been our President and a director since our formation in March 1991, and was elected Chairman of the Board of Directors in July 2001. In January 1992, Mr. Bradley was appointed Chief Executive Officer. 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.

*Jeffrey P. Fritz,* 55, has been Executive Vice President and Chief Financial Officer since March 2014. Prior to that, he was Senior Vice President and Chief Financial Officer since April 2006. He was Senior Vice President of Accounting from August 2004 through March 2006 and served as a consultant to us from May 2004 to August 2004. He also served as our Chief Financial Officer from our inception through May 1999. He is a licensed Certified Public Accountant and has previously practiced public accounting.

*Robert E. Riedl,* 51, has been Executive Vice President and Chief Operating Officer since March 2014. Mr. Riedl joined CPS in 2003 and has held a number of different senior positions within the company since then, including Chief Investment Officer, Chief Financial Officer and Senior Vice President, Risk Management. Prior to CPS, Mr. Riedl was a Principal at Northwest Capital Appreciation ("NCA"), a middle market private equity firm, from 1999 to 2002. Mr. Riedl was an investment banker for ContiFinancial Services, Jefferies & Company and PaineWebber from 1986 until 1999.

*Michael T. Lavin,* 42, has been Executive Vice President - Chief Legal Officer since March 2014. Prior to that, he was our Senior Vice President – General Counsel since March 2013, Senior Vice President and Corporate Counsel since May 2009 and our Vice President- Legal since joining the Company in November of 2001. Mr. Lavin was previously engaged as a law clerk and an associate with the San Diego based large law firm (now defunct) of Edwards, Sooy & Byron from 1996 through 2000 and then as an associate with the Orange County based firm of Trachtman & Trachtman from 2000 through 2001. Mr. Lavin also clerked for the San Diego District Attorney's office and Orange County Public Defender's office.

*Mark A. Creatura,* 55, has been Senior Vice President – General Counsel since October 1996. From October 1993 through October 1996, he was Vice President and General Counsel at Urethane Technologies, Inc., a polyurethane chemicals formulator. Mr. Creatura was previously engaged in the private practice of law with the Los Angeles law firm of Troy & Gould Professional Corporation, from October 1985 through October 1993.

*Christopher Terry,* 47, has been Senior Vice President – Asset Recovery since August 2013. Prior to that was our Senior Vice President of Servicing since May 2005, and prior to that was Senior Vice President - Asset Recovery since January 2003. He joined us in January 1995 as a loan officer, held a series of successively more responsible positions, and was promoted to Vice President - Asset Recovery in June 1999. Mr. Terry was previously a branch manager with Norwest Financial from 1990 to October 1994.

*Teri L. Robinson,* 52, has been Senior Vice President of Originations since April 2007. Prior to that, she held the position of Vice President of Originations since August 1998. She joined the Company in June 1991 as an Operations Specialist, and held a series of successively more responsible positions. Previously, Ms. Robinson held an administrative position at Greco & Associates.

*Curtis K. Powell,* 57, has been Senior Vice President – Project Development since May 2010. Previously he was our Senior Vice President – Marketing from March 2007 to May 2010. Prior to that, he was our Senior Vice President of Originations from June 2001 to March 2007. Prior to that, he was our Senior Vice President – Marketing, from April 1995 to June 2001. He joined us in January 1993 as an independent marketing representative until being appointed Regional Vice President of Marketing for Southern California in November 1994. From June 1985 through January 1993, Mr. Powell was in the retail automobile sales and leasing business.

*Laurie A. Straten,* 46*,* has been Senior Vice President of Servicing since August 2013. Prior to that, she was our Senior Vice President of Asset Recovery since April 2013, and before that she held the position of Vice President of Asset Recovery starting in April 2005. She started with the Company in March 1996 as a bankruptcy specialist and took on more responsibility within Asset Recovery over time. Prior to joining CPS she worked for the FDIC and served in the United States Marine Corps.

*Richard B. Haskell,* 48*,* has been Senior Vice President of Systems and Risk Management since April 2013. Prior to that, he held the positions of Vice President of Systems and Risk Management since January 2007, and Vice President of Risk Management since January 2005. He joined the Company in March 1994 as a data entry clerk in the Originations Department and held a series of successively more responsible positions. Previously, Mr. Haskell held a position as loan officer at Trust One Mortgage.

*John P. Harton*, 50, has been Senior Vice President - Marketing since March 2014. Prior to that, he held the position of Vice President – Marketing since April 2010. He joined the Company in April 1996 as a loan officer, held a series of successively more responsible positions, and was promoted to Vice President - Originations in June 2007. Mr. Harton was previously a branch manager with American General Finance from 1990 to March 1996.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

The Company's Common Stock is traded on the Nasdaq Global Market, under the symbol "CPSS." The following table sets forth the high and low sale prices as reported by Nasdaq for our Common Stock for the periods shown.

| | High | Low |
|---|---|---|
| January 1 - March 31, 2013 | 11.94 | 5.37 |
| April 1 - June 30, 2013 | 12.79 | 6.82 |
| July 1 - September 30, 2013 | 7.62 | 5.61 |
| October 1 - December 31, 2013 | 9.45 | 5.86 |
| January 1 - March 31, 2014 | 9.64 | 6.63 |
| April 1 - June 30, 2014 | 7.99 | 6.33 |
| July 1 - September 30, 2014 | 8.22 | 6.41 |
| October 1 - December 31, 2014 | 8.00 | 6.36 |

As of January 1, 2015, there were 43 holders of record of the Company's Common Stock. To date, we have not declared or paid any dividends on our Common Stock. The payment of future dividends, if any, on our Common Stock is within the discretion of the Board of Directors and will depend upon our income, capital requirements and financial condition, and other relevant factors. The instruments governing our outstanding debt place certain restrictions on the payment of dividends. We do not intend to declare any dividends on our Common Stock in the foreseeable future, but instead intend to retain any cash flow for use in our operations.

The table below presents information regarding outstanding options to purchase our Common Stock as of December 31, 2014:

| **Plan category** | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Equity compensation plans approved by security holders | $10,828,245 | $ 4.05 | 2,108,381 |
| Equity compensation plans not approved by security holders | – | – | – |
| Total | $10,828,245 | $ 4.05 | 2,108,381 |

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**Issuer Purchases of Equity Securities in the Fourth Quarter**

| **Period(1)** | **Total Number of Shares Purchased** | **Average Price Paid per Share** | **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)** | **Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs** |
|---|---|---|---|---|
| October 2014 | – | $ – | – | $ 986,193 |
| November 2014 | – | – | – | 986,193 |
| December 2014 | – | – | – | 986,193 |
| Total | – | $ – | – | |

*(1) Each monthly period is the calendar month.*

*(2) Through December 31, 2014, our board of directors had authorized the purchase of up to $34.5 million of our outstanding securities, which program was first announced in our annual report for the year 2002, filed on March 26, 2003. All purchases described in the table above were under the plan announced in March 2003, which has no fixed expiration date. As of December 31, 2014, we have purchased $5.0 million in principal amount of debt securities and $28.4 million of our common stock representing 9,800,720 shares.*

Item 6. Selected Financial Data

The following table presents our selected consolidated financial data and operating data as of and for the dates indicated. The data under the captions "Statement of Operations Data" and "Balance Sheet Data" have been derived from our audited consolidated financial statements. The remainder is derived from other records of ours. You should read the selected consolidated financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited consolidated financial statements and notes thereto that are included in this report, and in our quarterly and periodic filings.

| (in thousands, except per share data) | As of and For the Year Ended December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Statement of Operations Data | | | | | |
| Revenues: | | | | | |
| Interest income | $286,734 | $231,330 | $175,314 | $127,856 | $137,090 |
| Servicing fees | 1,376 | 3,093 | 2,305 | 4,348 | 7,657 |
| Other income | 12,146 | 10,405 | 9,589 | 10,927 | 10,438 |
| Gain on cancellation of debt | – | 10,947 | – | – | – |
| Total revenues | 300,256 | 255,775 | 187,208 | 143,131 | 155,185 |
| Expenses: | | | | | |
| Employee costs | 50,129 | 42,960 | 35,573 | 32,270 | 33,814 |
| General and administrative | 39,262 | 32,753 | 29,531 | 26,759 | 26,068 |
| Interest expense | 50,395 | 58,179 | 79,422 | 83,054 | 81,577 |
| Provision for credit losses | 108,228 | 76,869 | 33,495 | 15,508 | 29,921 |
| Provision for contingent liabilities | – | 7,841 | – | – | – |
| Total expenses | 248,014 | 218,602 | 178,021 | 157,591 | 171,380 |
| Income (loss) before income tax expense (benefit) | 52,242 | 37,173 | 9,187 | (14,460 ) | (16,195 ) |
| Income tax expense (benefit) | 22,726 | 16,168 | (60,221 ) | – | 16,982 |
| Net income (loss) | $29,516 | $21,005 | $69,408 | $(14,460 ) | $(33,177 ) |
| Earnings (loss) per share-basic | $1.18 | $0.98 | $3.56 | $(0.76 ) | $(1.90 ) |
| Earnings (loss) per share-diluted | $0.92 | $0.67 | $2.72 | $(0.76 ) | $(1.90 ) |
| Pre-tax income (loss) per share-basic (1) | $2.09 | $1.73 | $0.47 | $(0.76 ) | $(0.93 ) |
| Pre-tax income (loss) per share-diluted (2) | $1.63 | $1.18 | $0.36 | $(0.76 ) | $(0.93 ) |
| Weighted average shares outstanding-basic | 25,040 | 21,538 | 19,473 | 19,013 | 17,477 |
| Weighted average shares outstanding-diluted | 32,032 | 31,574 | 25,478 | 19,013 | 17,477 |
| Balance Sheet Data | | | | | |
| Total assets | $1,833,058 | $1,396,366 | $1,037,620 | $890,050 | $742,390 |
| Cash and cash equivalents | 17,859 | 22,112 | 12,966 | 10,094 | 16,252 |
| Restricted cash and equivalents | 175,382 | 132,284 | 104,445 | 159,228 | 123,958 |
| Finance receivables, net | 1,534,496 | 1,115,437 | 744,749 | 506,279 | 552,453 |
| Finance receivables measured at fair value | 1,664 | 14,476 | 59,668 | 160,253 | – |
| Residual interest in securitizations | 68 | 854 | 4,824 | 4,414 | 3,841 |
| Warehouse lines of credit | 56,839 | 9,452 | 21,731 | 25,393 | 45,564 |
| Residual interest financing | 12,327 | 19,096 | 13,773 | 21,884 | 39,440 |
| Debt secured by receivables measured at fair value | 1,250 | 13,117 | 57,107 | 166,828 | – |
| Securitization trust debt | 1,598,496 | 1,177,559 | 792,497 | 583,065 | 567,722 |
| Long-term debt | 15,233 | 57,701 | 73,416 | 79,094 | 65,210 |
| Shareholders' equity | 127,253 | 94,602 | 61,311 | (14,207 ) | 2,421 |

*(1) Income (loss) before income tax benefit divided by weighted average shares outstanding-basic. Included for illustrative purposes because some of the periods presented include significant income tax benefits while other periods have neither income tax benefit nor expense.*

*(2)*

*Income (loss) before income tax benefit divided by weighted average shares outstanding-diluted. Included for illustrative purposes because some of the periods presented include significant income tax benefits while other periods have neither income tax benefit nor expense.*

| (dollars in thousands, except per share data) | As of and For the Year Ended December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Contract Purchases/Securitizations | | | | | |
| Automobile contract purchases | $944,944 | $764,087 | $551,742 | $284,236 | $113,023 |
| Automobile contracts securitized - structured as sales | – | – | – | – | 103,772 |
| Automobile contracts securitized - structured as secured financings | 924,000 | 778,000 | 603,500 | 335,593 | – |
| Managed Portfolio Data | | | | | |
| Contracts held by consolidated subsidiaries | $1,640,536 | $1,207,694 | $807,888 | $546,018 | $597,142 |
| Fireside portfolio | 1,664 | 14,786 | 60,804 | 172,167 | – |
| Contracts held by non-consolidated subsidiaries | 390 | 4,074 | 17,298 | 42,971 | 83,964 |
| Third party portfolios (1) | 1,330 | 4,868 | 11,585 | 33,493 | 75,097 |
| Total managed portfolio | $1,643,920 | $1,231,422 | $897,575 | $794,649 | $756,203 |
| Average managed portfolio | 1,422,870 | 1,081,936 | 822,571 | 711,725 | 928,977 |
| Weighted average fixed effective interest rate (total managed portfolio) (2) | 19.8% | 20.0% | 19.6% | 18.5% | 16.2% |
| Core operating expense (% of average managed portfolio) (3) | 6.3% | 7.0% | 7.9% | 8.3% | 6.4% |
| Allowance for finance credit losses | $61,460 | $39,626 | $19,594 | $10,351 | $13,168 |
| Allowance for finance credit losses (% of total contracts held by consolidated subsidiaries). | 3.7% | 3.3% | 2.4% | 1.9% | 2.2% |
| Aggregate allowance for finance credit losses and repossessions in inventory | $79,289 | $54,405 | $25,978 | $15,116 | $29,446 |
| Aggregate allowance for finance credit losses (% of total repossessions in inventory and contracts held by consolidated subsidiaries). | 4.8% | 4.5% | 3.2% | 2.8% | 4.9% |
| Total delinquencies (2) (4) | 5.5% | 4.8% | 4.0% | 4.4% | 5.7% |
| Total delinquencies and repossessions (2) (4) | 7.2% | 6.8% | 5.5% | 6.2% | 9.2% |
| Net charge-offs (2) (5) | 5.8% | 4.7% | 3.6% | 4.8% | 9.0% |

*(1) Receivables related to the third party portfolios, on which we earn only a servicing fee.*

*(2) Excludes receivables related to the third party portfolios.*

*(3) Total expenses excluding provision for credit losses, provision for contingent liabilities, interest expense, loss on sale of receivables and impairment loss on residual assets.*

*(4) For further information regarding delinquencies and the managed portfolio, see the table captioned "Delinquency Experience," in Item 1, Part I of this report and the notes to that table.*

*(5) Net charge-offs include the remaining principal balance, after the application of the net proceeds from the liquidation of the vehicle (excluding accrued and unpaid interest) and amounts collected subsequent to the date of the charge-off, including some recoveries which have been classified as other income in the accompanying consolidated financial statements. For further information regarding charge-offs, see the table captioned "Net Charge-Off Experience," in Item I, Part I of this report and the notes to that table.*

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto and other information included or incorporated by reference herein.

Overview

We are a specialty finance company. Our business is to purchase and service retail automobile contracts originated primarily by franchised automobile dealers and, to a lesser extent, by select independent dealers in the United States in the sale of new and used automobiles, light trucks and passenger vans. Through our automobile contract purchases, we provide indirect financing to the customers of dealers who have limited credit histories, low incomes or past credit problems, who we refer to as sub-prime customers. We serve as an alternative source of financing for dealers, facilitating sales to customers who otherwise might not be able to obtain financing from traditional sources, such as commercial banks, credit unions and the captive finance companies affiliated with major automobile manufacturers. In addition to purchasing installment purchase contracts directly from dealers, we have also (i) acquired installment purchase contracts in four merger and acquisition transactions, (ii) purchased immaterial amounts of vehicle purchase money loans from non-affiliated lenders, and (iii) directly originated an immaterial amount of vehicle purchase money loans by lending money directly to consumers. In this report, we refer to all of such contracts and loans as "automobile contracts."

We were incorporated and began our operations in March 1991. From inception through December 31, 2014, we have purchased a total of approximately $11.3 billion of automobile contracts from dealers. In addition, we acquired a total of approximately $822.3 million of automobile contracts in mergers and acquisitions in 2002, 2003, 2004 and, most recently in September 2011. The September 2011 acquisition consisted of approximately $217.8 million of automobile contracts that we purchased from Fireside Bank of Pleasanton, California. In 2004 and 2009, we were appointed as a third-party servicer for certain portfolios of automobile contracts originated and owned by non-affiliated entities. From 2008 through 2010, our managed portfolio decreased each year due to our strategy of limiting contract purchases to conserve our liquidity during the financial crisis and resulting recession, as discussed further below. However, since October 2009, we have gradually increased contract purchase which, in turn, has resulted in recent increases in our managed portfolio. Recent contract purchase volumes and managed portfolio levels are shown in the table below:

Contract Purchases and Outstanding Managed Portfolio

| | $ in thousands | |
|---|---|---|
| Year | Contracts Purchased in Period | Managed Portfolio at Period End |
| 2008 | $296,817 | $1,664,122 |

| | | |
|---|---|---|
| 2009 | 8,599 | 1,194,722 |
| 2010 | 113,023 | 756,203 |
| 2011 | 284,236 | 794,649 |
| 2012 | 551,742 | 897,575 |
| 2013 | 764,087 | 1,231,422 |
| 2014 | 944,944 | 1,643,920 |

Our principal executive offices are in Las Vegas, Nevada. Most of our operational and administrative functions take place in Irvine, California. Credit and underwriting functions are performed primarily in our California branch with certain of these functions also performed in our Florida and Nevada branches. We service our automobile contracts from our California, Nevada, Virginia, Florida and Illinois branches.

We purchase contracts in our own name ("CPS") and, until July 2008, also in the name of our wholly-owned subsidiary, TFC. Programs marketed under the CPS name are intended to serve a wide range of sub-prime customers, primarily through franchised new car dealers. Our TFC program served vehicle purchasers enlisted in the U.S. Armed Forces, primarily through independent used car dealers. In July 2008, we suspended contract purchases under our TFC program. We purchase automobile contracts with the intention of financing them on a long-term basis through securitizations. Securitizations are transactions in which we sell a specified pool of contracts to a special purpose subsidiary of ours, which in turn issues asset-backed securities to fund the purchase of the pool of contracts from us.

Securitization and Warehouse Credit Facilities

Throughout the period for which information is presented in this report, we have purchased automobile contracts with the intention of financing them on a long-term basis through securitizations, and on an interim basis through warehouse credit facilities. All such financings have involved identification of specific automobile contracts, sale of those automobile contracts (and associated rights) to one of our special-purpose subsidiaries, and issuance of asset-backed securities to be purchased by institutional investors. Depending on the structure, these transactions may be accounted for under generally accepted accounting principles as sales of the automobile contracts or as secured financings.

When structured to be treated as a secured financing for accounting purposes, the subsidiary is consolidated with us. Accordingly, the sold automobile contracts and the related debt appear as assets and liabilities, respectively, on our unaudited condensed consolidated balance sheet. We then periodically (i) recognize interest and fee income on the contracts, (ii) recognize interest expense on the securities issued in the transaction and (iii) record as expense a provision for credit losses on the contracts.

Since 1994 we have conducted 65 term securitizations (generally quarterly) of automobile contracts that we purchased from dealers under our regular programs. As of December 31, 2014, 16 of those securitizations are active and all but one are structured as secured financings. Our September 2010 transaction is our only active securitization that is structured as a sale of the related contracts. From 1994 through April 2008 we generally utilized financial guarantees for the senior asset-backed notes issued in the securitization. Since September 2010 we have utilized senior subordinated structures without any financial guarantees.

Our history of term securitizations, over the most recent ten years, is summarized in the table below:

Recent Asset-Backed Term Securitizations
$ in thousands

| Period | Number of Term Securitizations | Amount of Receivables |
|---|---|---|
| 2005 | 4 | $ 698,353 |
| 2006 | 4 | 957,681 |
| 2007 | 3 | 1,118,097 |
| 2008 | 2 | 509,022 |
| 2009 | 0 | – |
| 2010 | 1 | 103,772 |
| 2011 | 3 | 335,593 |
| 2012 | 4 | 603,500 |
| 2013 | 4 | 778,000 |

| | | |
|---|---|---|
| 2014 | 4 | 923,000 |

Our 2012 securitizations included $58.2 million in contracts that were repurchased in 2012 from securitizations closed in 2006 and 2007. Our 2013 securitizations included $7.4 million in contracts that were repurchased from a securitization closed in 2008. Our 2010 securitization was, in substance, a re-securitization of the receivables from our second securitization of 2008 which allowed us to take advantage of a lower interest rate environment at that time.

From time to time we have also completed financings of our residual interests in other securitizations that we and our affiliates previously sponsored. As of December 31, 2014 we have one such residual interest financing outstanding.

Since December 2011, our securitizations have included a pre-funding feature in which a portion of the receivables to be sold to the trust were not delivered until after the initial closing. As a result, our restricted cash balance at December 31, 2014 included $85.3 million from the proceeds of the sale of the asset-backed notes that were held by the trustee pending delivery of the remaining receivables. In January 2015, the requisite additional receivables were delivered to the trust and we received the related restricted cash, most of which was used to repay amounts owed under our warehouse credit facilities.

Generally, prior to a securitization transaction we fund our automobile contract purchases primarily with proceeds from warehouse credit facilities. Our current short-term funding capacity is $200 million, comprising two credit facilities. The first $100 million credit facility was established in December 2010. This facility was renewed in March 2013, extending the revolving period to March 2015, and adding an amortization period through March 2017. Our second $100 million credit facility was established in May 2012. This facility was renewed in August 2014, extending the revolving period to August 2016, and adding an amortization period through August 2017.

In a securitization and in our warehouse credit facilities, we are required to make certain representations and warranties, which are generally similar to the representations and warranties made by dealers in connection with our purchase of the automobile contracts. If we breach any of our representations or warranties, we will be obligated to repurchase the automobile contract at a price equal to the principal balance plus accrued and unpaid interest. We may then be entitled under the terms of our dealer agreement to require the selling dealer to repurchase the contract at a price equal to our purchase price, less any principal payments made by the customer. Subject to any recourse against dealers, we will bear the risk of loss on repossession and resale of vehicles under automobile contracts that we repurchase.

Whether a securitization is treated as a secured financing or as a sale for financial accounting purposes, the related special purpose subsidiary may be unable to release excess cash to us if the credit performance of the securitized automobile contracts falls short of pre-determined standards. Such releases represent a material portion of the cash that we use to fund our operations. An unexpected deterioration in the performance of securitized automobile contracts could therefore have a material adverse effect on both our liquidity and results of operations, regardless of whether such automobile contracts are treated as having been sold or as having been financed.

**Credit Risk Retained**

Whether a sale of automobile contracts in connection with a securitization or warehouse credit facility is treated as a secured financing or as a sale for financial accounting purposes, the related special-purpose subsidiary may be unable to release excess cash to us if the credit performance of the related automobile contracts falls short of pre-determined standards. Such releases represent a material portion of the cash that we use to fund our operations. An unexpected deterioration in the performance of such automobile contracts could therefore have a material adverse effect on both our liquidity and our results of operations, regardless of whether such automobile contracts are treated for financial accounting purposes as having been sold or as having been financed. For estimation of the magnitude of such risk, it may be appropriate to look to the size of our "managed portfolio," which represents both financed and sold automobile contracts as to which such credit risk is retained. Our managed portfolio as of December 31, 2014 was approximately $1,643.9 million, which includes a third party servicing portfolio of $1.3 million on which we earn only servicing fees and have no credit risk.

Critical Accounting Policies

We believe that our accounting policies related to (a) Allowance for Finance Credit Losses, (b) Amortization of Deferred Originations Costs and Acquisition Fees, (c) Term Securitizations, (d) Finance Receivables and Related Debt Measured at Fair Value (e) Accrual for Contingent Liabilities and (f) Income Taxes are the most critical to understanding and evaluating our reported financial results. Such policies are described below.

Allowance for Finance Credit Losses

In order to estimate an appropriate allowance for losses incurred on finance receivables, we use a loss allowance methodology commonly referred to as "static pooling," which stratifies our finance receivable portfolio into separately identified pools based on the period of origination. Using analytical and formula driven techniques, we estimate an allowance for finance credit losses, which we believe is adequate for probable incurred credit losses that can be reasonably estimated in our portfolio of automobile contracts. For each monthly pool of contracts that we purchase, we begin establishing the allowance in the month of acquisition and increase it over the subsequent 11 months, through a provision for credit losses charged to our consolidated statement of operations, with the goal of establishing an allowance that approximates the next 12 months of expected net losses. Net losses incurred on finance receivables are charged to the allowance. We evaluate the adequacy of the allowance by examining current delinquencies, the characteristics of the portfolio, prospective liquidation values of the underlying collateral and general economic and market conditions. As circumstances change, our level of provisioning and/or allowance may change as well.

Broad economic factors such as recession and significant changes in unemployment levels influence the credit performance of our portfolio, as does the weighted average age of the receivables at any given time. Our internal credit performance data consistently show that new receivables have lower levels of delinquency and losses early in their lives, with delinquencies increasing throughout their lives and losses gradually increasing to a peak between 36 and 42 months, after which they gradually decrease. The historical weighted average seasoning of our total owned portfolio excluding Fireside, is summarized in the table below:

| December 31, | Weighted Average Age in Months of Owned Portfolio |
|---|---|
| 2009 | 33 |
| 2010 | 37 |
| 2011 | 27 |
| 2012 | 18 |
| 2013 | 14 |
| 2014 | 14 |

The credit performance of our portfolio is also significantly influenced by our underwriting guidelines and credit criteria we use when evaluating contracts for purchase from dealers. We regularly evaluate our portfolio credit performance and modify our purchase criteria to maximize the credit performance of our portfolio, while maintaining competitive programs and levels of service for our dealers.

*Amortization of Deferred Originations Costs and Acquisition Fees*

Upon purchase of a contract from a dealer, we generally either charge or advance the dealer an acquisition fee. In addition, we incur certain direct costs associated with originations of our contracts. All such acquisition fees and direct costs are applied to the carrying value of finance receivables and are accreted into earnings as an adjustment to the yield over the estimated life of the contract using the interest method.

Term Securitizations

Our term securitization structure has generally been as follows:

We sell automobile contracts we acquire to a wholly-owned special purpose subsidiary, which has been established for the limited purpose of buying and reselling our automobile contracts. The special-purpose subsidiary then transfers the same automobile contracts to another entity, typically a statutory trust. The trust issues interest-bearing asset-backed securities, in a principal amount equal to or less than the aggregate principal balance of the automobile contracts. We typically sell these automobile contracts to the trust at face value and without recourse, except that representations and warranties similar to those provided by the dealer to us are provided by us to the trust. One or more investors purchase the asset-backed securities issued by the trust; the proceeds from the sale of the asset-backed securities are then used to purchase the automobile contracts from us. We may retain or sell subordinated asset-backed securities issued by the trust or by a related entity. Through 2008, we generally purchased external credit enhancement for most of our term securitizations in the form of a financial guaranty insurance policy, guaranteeing timely payment of interest and ultimate payment of principal on the senior asset-backed securities, from an insurance company. However, in our 16 most recent securitizations since 2010, we have not purchased financial guaranty insurance policies and do not expect to do so in the near future.

We structure our securitizations to include internal credit enhancement for the benefit the investors (i) in the form of an initial cash deposit to an account ("spread account") held by the trust, (ii) in the form of overcollateralization of the senior asset-backed securities, where the principal balance of the senior asset-backed securities issued is less than the principal balance of the automobile contracts, (iii) in the form of subordinated asset-backed securities, or (iv) some combination of such internal credit enhancements. The agreements governing the securitization transactions require that the initial level of internal credit enhancement be supplemented by a portion of collections from the automobile contracts until the level of internal credit enhancement reaches specified levels, which are then maintained. The specified levels are generally computed as a percentage of the principal amount remaining unpaid under the related automobile contracts. The specified levels at which the internal credit enhancement is to be maintained will vary depending on the performance of the portfolios of automobile contracts held by the trusts and on other conditions, and may also be varied by agreement among us, our special purpose subsidiary, the insurance company, if any, and the trustee. Such levels have increased and decreased from time to time based on performance of the various portfolios, and have also varied from one transaction to another. The agreements governing the securitizations generally grant us the option to repurchase the sold automobile contracts from the trust when the aggregate outstanding balance of the automobile contracts has amortized to a specified percentage of the initial aggregate balance.

Our September 2008 securitization and the subsequent re-securitization of the remaining receivables from such transaction in September 2010 were each in substance sales of the underlying receivables, and have been treated as sales for financial accounting purposes. They differ from those treated as secured financings in that the trust to which our special-purpose subsidiaries sold the automobile contracts met the definition of a "qualified special-purpose entity" under Statement of Financial Accounting Standards No. 140 (ASC 860 10 65-2). As a result, assets and liabilities of those trusts are not consolidated into our consolidated balance sheet.

Historically, our warehouse credit facility structures were similar to the above, except that (i) our special-purpose subsidiaries that purchased the automobile contracts pledged the automobile contracts to secure promissory notes that they issued, (ii) no increase in the required amount of internal credit enhancement was contemplated, and (iii) we did not purchase financial guaranty insurance. Our current maximum revolving warehouse financing capacity is $200 million.

Upon each transfer of automobile contracts in a transaction structured as a secured financing for financial accounting purposes, whether a term securitization or a warehouse financing, we retain on our consolidated balance sheet the related automobile contracts as assets and record the asset-backed notes or loans issued in the transaction as indebtedness.

Under the September 2008 and September 2010 securitizations, and other term securitizations completed prior to July 2003 that were structured as sales for financial accounting purposes, we removed from our consolidated balance sheet the automobile contracts sold and added to our consolidated balance sheet (i) the cash received, if any, and (ii) the estimated fair value of the ownership interest that we retained in the automobile contracts sold in the transaction. That retained or residual interest consisted of (a) the cash held in the spread account, if any, (b) overcollateralization, if any, (c) asset-backed securities retained, if any, and (d) receivables from the trust, which include the net interest receivables. Net interest receivables represent the estimated discounted cash flows to be received from the trust in the future, net of principal and interest payable with respect to the asset-backed notes, the premium paid to the insurance company, if any, and certain other expenses. The excess of the cash received and the assets we retained over the carrying value of the automobile contracts sold, less transaction costs, equaled the net gain on sale of automobile contracts we recorded.

We receive periodic base servicing fees for the servicing and collection of the automobile contracts. Under our securitization structures treated as secured financings for financial accounting purposes, such servicing fees are included in interest income from the automobile contracts. In addition, we are entitled to the cash flows from the trusts that represent collections on the automobile contracts in excess of the amounts required to pay principal and interest on the asset-backed securities, base servicing fees, and certain other fees and expenses (such as trustee and custodial fees). Required principal payments on the asset-backed notes are generally defined as the payments sufficient to keep the principal balance of such notes equal to the aggregate principal balance of the related automobile contracts (excluding those automobile contracts that have been charged off), or a pre-determined percentage of such balance. Where that percentage is less than 100%, the related securitization agreements require accelerated payment of principal until the principal balance of the asset-backed securities is reduced to the specified percentage. Such accelerated principal payment is said to create overcollateralization of the asset-backed notes.

If the amount of cash required for payment of fees, expenses, interest and principal on the senior asset-backed notes exceeds the amount collected during the collection period, the shortfall is withdrawn from the spread account, if any. If the cash collected during the period exceeds the amount necessary for the above allocations plus required principal payments on the subordinated asset-backed notes, and there is no shortfall in the related spread account or the required overcollateralization level, the excess is released to us. If the spread account and overcollateralization is not at the required level, then the excess cash collected is retained in the trust until the specified level is achieved. Although spread account balances are held by the trusts on behalf of our special-purpose subsidiaries as the owner of the residual interests (in the case of securitization transactions structured as sales for financial accounting purposes) or the trusts (in the case of securitization transactions structured as secured financings for financial accounting purposes), we are restricted in use of the cash in the spread accounts. Cash held in the various spread accounts is invested in high quality, liquid investment securities, as specified in the securitization agreements. The interest rate payable on the automobile contracts is significantly greater than the interest rate on the asset-backed notes. As a result, the residual interests described above historically have been a significant asset of ours.

In all of our term securitizations and warehouse credit facilities, whether treated as secured financings or as sales, we have sold the automobile contracts (through a subsidiary) to the securitization entity. The difference between the two structures is that in securitizations that are treated as secured financings we report the assets and liabilities of the securitization trust on our consolidated balance sheet. Under both structures, recourse to us by holders of the asset-backed securities and by the trust, for failure of the automobile contract obligors to make payments on a timely basis, is limited to the automobile contracts included in the securitizations or warehouse credit facilities, the spread accounts and our retained interests in the respective trusts.

Since the third quarter of 2003, we have conducted 40 term securitizations. Of these 40, 34 were periodic (generally quarterly) securitizations of automobile contracts that we purchased from automobile dealers under our regular programs. In addition, in March 2004 and November 2005, we completed securitizations of our retained interests in other securitizations that we and our affiliates previously sponsored. The debt from the March 2004 transaction was repaid in August 2005, and the debt from the November 2005 transaction was repaid in May 2007. Also, in June 2004, we completed a securitization of automobile contracts purchased under our TFC program and acquired in a bulk purchase. Further, in December 2005 and May 2007 we completed securitizations that included automobile contracts purchased under the TFC programs, automobile contracts purchased under the CPS programs and automobile contracts we repurchased upon termination of prior securitizations. Since July 2003 all such securitizations have been structured as secured financings, except our September 2008 and September 2010 securitizations that were in substance sales of the underlying receivables, and were treated as sales for financial accounting purposes.

Since December 2011, our securitizations have included a pre-funding feature in which a portion of the receivables to be sold to the trust were not delivered until after the initial closing. As a result, our restricted cash balance at December 31, 2014 included $85.3 million from the proceeds of the sale of the asset-backed notes that were held by the trustee pending delivery of the remaining receivables. In January 2015, the requisite additional receivables were delivered to the trust and we received the related restricted cash, most of which was used to repay amounts owed under our warehouse credit facilities.

Finance Receivables and Related Debt Measured at Fair Value

In September 2011 we purchased finance receivables from Fireside Bank. These receivables are pledged as collateral for debt that was structured specifically for the acquisition of this portfolio. Since the Fireside receivables were originated by another entity with its own underwriting guidelines and procedures, we have elected to account for the Fireside receivables and the related debt secured by those receivables at their estimated fair values so that changes in fair value will be reflected in our results of operations as they occur. There are limited observable inputs available to us for measurement of such receivables, or for the related debt. We use our own assumptions about the factors that we believe market participants would use in pricing similar receivables and debt, and are based on the best information available in the circumstances. The valuation method used to estimate fair value may produce a fair value measurement that may not be indicative of ultimate realizable value. Furthermore, while we believe our valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial instruments could result in different estimates of fair value.

Those estimated values may differ significantly from the values that would have been used had a readily available market for such receivables or debt existed, or had such receivables or debt been liquidated, and those differences could be material to the financial statements.

Accrual for Contingent Liabilities

We are routinely involved in various legal proceedings resulting from our consumer finance activities and practices, both continuing and discontinued. Our legal counsel has advised us on such matters where, based on information available at the time of this report, there is an indication that it is both probable that a liability has been incurred and the amount of the loss can be reasonably determined.

We have recorded a liability as of December 31, 2014, which represents our best estimate of probable incurred losses for legal contingencies. The amount of losses that may ultimately be incurred cannot be estimated with certainty. However, based on such information as is available to us, we believe that the range of reasonably possible losses for the legal proceedings and contingencies described or referenced above, as of December 31, 2014, and in excess of the liability we have recorded, is from $0 to $1.5 million.

Accordingly, we believe that the ultimate resolution of such legal proceedings and contingencies, after taking into account our current litigation reserves, should not have a material adverse effect on our consolidated financial condition. We note, however, that in light of the uncertainties inherent in contested proceedings, there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves we have accrued; as a result, the outcome of a particular matter may be material to our operating results for a particular period, depending on, among other factors, the size of the loss or liability imposed and the level of our income for that period.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. A valuation allowance is recognized for a deferred tax asset if, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In making such judgements, significant weight is given to evidence that can be objectively verified. As a result of the unprecedented adverse changes in the market for securitizations, the recession and the resulting high levels of unemployment that occurred in 2008 and 2009, we incurred substantial operating losses from 2009 through 2011 which led us to establish a valuation allowance against a substantial portion of our deferred tax assets. However, since the fourth quarter of 2011, we have reported 13 consecutive quarters of increasing profitability. Furthermore, we have demonstrated an ability to increase our volumes of contract purchases, grow our managed portfolio and obtain cost effective short- and long-term financing for our finance receivables.

As a result of these and other factors, we determined at December 31, 2012 that, based on the weight of the available objective evidence, it was more likely than not that we would generate sufficient future taxable income to utilize our net deferred tax assets. Accordingly, we reversed the related valuation allowance of $62.8 million in the fourth quarter of 2012.

Our net deferred tax asset of $42.8 million, as of December 31, 2014, consists of approximately $32.7 million of net U.S. federal deferred tax assets and $10.1 million of net state deferred tax assets. The major components of the deferred tax asset are $18.6 million in net operating loss carryforwards and built in losses and $24.2 million in net deductions which have not yet been taken on a tax return.

As of December 31, 2014, we had net operating loss carryforwards for federal and state income tax purposes of $3.5 million and $108.5 million, respectively. The federal net operating losses begin to expire in 2022. The state net operating losses begin to expire in 2015.

In determining the possible future realization of deferred tax assets, we have considered future taxable income from the following sources: (a) reversal of taxable temporary differences; and (b) forecasted future net earnings from operations. Based upon those considerations, we have concluded that it is more likely than not that the U.S. and state net operating loss carryforward periods provide enough time to utilize the deferred tax assets pertaining to the existing net operating loss carryforwards and any net operating loss that would be created by the reversal of the future net deductions which have not yet been taken on a tax return. Our estimates of taxable income are forward-looking statements, and there can be no assurance that our estimates of such taxable income will be correct. Factors discussed under "Risk Factors," and in particular under the subheading "Risk Factors -- Forward-Looking Statements" may affect whether such projections prove to be correct.

We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of operations. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets.

Uncertainty of Capital Markets and General Economic Conditions

We depend upon the availability of warehouse credit facilities and access to long-term financing through the issuance of asset-backed securities collateralized by our automobile contracts. Since 1994, we have completed 65 term securitizations of approximately $9.4 billion in contracts. From the fourth quarter of 2007 through the end of 2009, we observed unprecedented adverse changes in the market for securitized pools of automobile contracts. These changes included reduced liquidity, and reduced demand for asset-backed securities, particularly for securities carrying a financial guaranty and for securities backed by sub-prime automobile receivables. Moreover, during that period many of the firms that previously provided financial guarantees, which were an integral part of our securitizations, suspended offering such guarantees. These adverse changes caused us to conserve liquidity by significantly reducing our purchases of automobile contracts. However, since September 2009 we have established new funding facilities and gradually increased our contract purchases and the frequency and amount of our term securitizations.

**Financial Covenants**

Certain of our securitization transactions and our warehouse credit facilities contain various financial covenants requiring certain minimum financial ratios and results. Such covenants include maintaining minimum levels of liquidity and net worth and not exceeding maximum leverage levels. In addition, certain securitization and non-securitization related debt contain cross-default provisions that would allow certain creditors to declare a default if a default occurred under a different facility. As of December 31, 2014 we were in compliance with all such financial covenants.

Results of Operations

*Comparison of Operating Results for the year ended December 31, 2014 with the year ended December 31, 2013*

*Revenues*. In April 2013, we repurchased the outstanding Class D notes from our first 2008 securitization for a cash payment and a new note. We subsequently exercised our "clean-up call" option and repurchased the remaining collateral from the related securitization trust. The aggregate value of our consideration for the Class D notes was $10.9 million less than our carrying value of the Class D notes at the time of the repurchase. As a result of the repurchase of the Class D notes and the termination of the securitization trust, we realized a gain of $10.9 million, or 4.3% of our total revenues of $255.8 million for year ended December 31, 2013. The discussion below excludes the gain of $10.9 million for 2013 for comparative purposes.

During the year ended December 31, 2014, our revenues were $300.3 million, an increase of $55.4 million, or 22.6%, from the prior year revenue of $244.8 million. The primary reason for the increase in revenues is an increase in interest income. Interest income for the year ended December 31, 2014 increased $55.4 million, or 24.0%, to $286.7 million from $231.3 million in the prior year. The primary reason for the increase in interest income is the increase in finance receivables held by consolidated subsidiaries, which increased from $1,222.5 million at December 31, 2013 to $1,642.2 million at December 31, 2014. The table below shows the average balances of our portfolio held by consolidated subsidiaries for the year ended December 31, 2014 and 2013:

| | Average Balances for the Year Ended | |
|---|---|---|
| | December 31, 2014 Amount | December 31, 2013 Amount |
| Finance Receivables Owned by Consolidated Subsidiaries | ($ in millions) | |
| CPS Originated Receivables | $1,414.3 | $1,044.7 |
| Fireside | 5.9 | 31.3 |
| Total | $1,420.2 | $1,076.0 |

Servicing fees totaling $1.4 in the year ended December 31, 2014 decreased $1.7 million, or 55.5%, from $3.1 million in the prior year. We earn base servicing fees on three portfolios that are decreasing in size as we receive customer payments and, consequently, base servicing fees are decreasing also. As of December 31, 2014 and 2013, our managed portfolio owned by consolidated vs. non-consolidated subsidiaries and other third parties was as follows:

| | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Amount (1) | %(2) | Amount (1) | %(2) |
| **Total Managed Portfolio** | **($ in millions)** | | | |
| Owned by Consolidated Subsidiaries | | | | |
| CPS Originated Receivables | $1,640.5 | 99.8% | $1,207.7 | 98.1% |
| Fireside | 1.7 | 0.1% | 14.8 | 1.2% |
| Owned by Non-Consolidated Subsidiaries | 0.4 | 0.0% | 4.0 | 0.3% |
| Third-Party Servicing Portfolios | 1.3 | 0.1% | 4.9 | 0.4% |
| Total | $1,643.9 | 100.0% | $1,231.4 | 100.0% |

At December 31, 2014, we were generating income and fees on a managed portfolio with an outstanding principal balance of $1,643.9 million (this amount includes $390,000 of automobile contracts on which we earn servicing fees and own a residual interest and also includes another $1.3 million of automobile contracts on which we earn base and incentive servicing fees), compared to a managed portfolio with an outstanding principal balance of $1,231.4 million as of December 31, 2013. At December 31, 2014 and 2013, the managed portfolio composition was as follows:

| | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Amount (1) | %(2) | Amount (1) | %(2) |
| Originating Entity | **($ in millions)** | | | |
| CPS | $1,640.9 | 99.8% | $1,211.8 | 98.4% |
| Fireside | 1.7 | 0.1% | 14.8 | 1.2% |
| Third Party Portfolio | 1.3 | 0.1% | 4.8 | 0.4% |
| Total | $1,643.9 | 100.0% | $1,231.4 | 100.0% |

*(1) Contractual balances.*
*(2) Percentages may not add up to 100% due to rounding.*

Other income increased by $1.7 million, or 16.7%, to $12.1 million in the year ended December 31, 2014 from $10.4 million during the prior year. The increase consists of a net increase of $150,000 in the fair value of the receivables and debt associated with the Fireside portfolio acquisition, an increase of $971,000 in fees associated with direct mail and other related products and services that we offer to our dealers, an increase of $303,000 in sales tax refunds and an increase of $335,000 in payments from third-party payment processors.

*Expenses*. Our operating expenses consist largely of provision for credit losses, interest expense, employee costs and general and administrative expenses. Provision for credit losses and interest expense are significantly affected by the volume of automobile contracts we purchased during the trailing 12-month period and by the outstanding balance of finance receivables held by consolidated subsidiaries. Employee costs and general and administrative expenses are incurred as applications and automobile contracts are received, processed and serviced. Factors that affect margins and net income include changes in the automobile and automobile finance market environments, and macroeconomic factors such as interest rates and changes in the unemployment level.

Employee costs include base salaries, commissions and bonuses paid to employees, and certain expenses related to the accounting treatment of outstanding stock options, and are one of our most significant operating expenses. These costs (other than those relating to stock options) generally fluctuate with the level of applications and automobile contracts processed and serviced.

Other operating expenses consist largely of facilities expenses, telephone and other communication services, credit services, computer services, marketing and advertising expenses, and depreciation and amortization.

During the year ended December 31, 2013, we recognized $7.8 million in contingent liability expenses to either record or increase the amounts we believe we may incur related to various pending litigation. The amount was allocated in part to a long running case we refer to as the Stanwich litigation, and also to more recent matters including two California class action suits where we are the defendant, and a governmental inquiry, in which the United States Federal Trade Commission (“FTC”) has informally proposed that the we refrain from certain allegedly unfair trade practices, and make restitutionary payments into a consumer relief fund. The discussion below omits the $7.8 million contingent liability expense from the year ended December 31, 2013 for comparative purposes.

Total operating expenses were $248.0 million for the year ended December 31, 2014, compared to $210.8 million for the prior year, an increase of $37.3 million, or 17.7%. The increase is primarily due to the increase in the amount of new contracts we purchased, the resulting increase in our consolidated portfolio and associated servicing costs, and the related increase in our provision for credit losses. Increases in core operating expenses and provision for credit losses were partially offset by decreases in interest expense.

Employee costs increased by $7.2 million or 16.7%, to $50.1 million during the year ended December 31, 2014, representing 20.2% of total operating expenses, from $43.0 million for the prior year, or 20.4% of total operating expenses. Since 2010, we have added employees in our Originations and Marketing departments to accommodate the increase in contract purchases. More recently, we have also added Servicing staff to accommodate the increase in the number of accounts in our managed portfolio. The table below summarizes our employees by category as well as contract purchases and units in our managed portfolio as of, and for the years ended, December 31, 2014 and 2013:

| | December 31, 2014 Amount | December 31, 2013 Amount |
|---|---|---|
| | ($ in millions) | |
| Contracts purchased (dollars) | $944.9 | $764.1 |
| Contracts purchased (units) | 59,276 | 48,995 |
| Managed portfolio outstanding (dollars) | $1,643.9 | $1,231.4 |
| Managed portfolio outstanding (units) | 124,074 | 99,842 |

| | | |
|---|---|---|
| Number of Originations staff | 210 | 172 |
| Number of Marketing staff | 155 | 119 |
| Number of Servicing staff | 445 | 348 |
| Number of other staff | 59 | 66 |
| Total number of employees | 869 | 705 |

General and administrative expenses include costs associated with purchasing and servicing our portfolio of finance receivables, including expenses for facilities, credit services, and telecommunications. General and administrative expenses were $19.3 million, an increase of $2.9 million, or 17.8%, compared to the previous year and represented 7.8% of total operating expenses.

Interest expense for the year ended December 31, 2014 decreased by $7.8 million to $50.4 million, or 13.4%, compared to $58.2 million in the previous year.

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Interest expense on the Fireside portfolio credit facility decreased by $3.1 million compared to the prior year as the Fireside portfolio and the related debt have paid down to significantly lower levels over the last year.

Interest on securitization trust debt increased by $3.8 million, or 10.9%, for the year ended December 31, 2014 compared to the prior year. Although the average balance of securitization trust debt increased 37.9% to $1,298.0 million for the year ended December 31, 2014 from $941.6 million for the year ended December 31, 2013, the blended interest rates on new term securitizations since 2013 have been significantly lower than in previous years. As a result, during 2014, portions of our securitization trust debt that were outstanding at December 31, 2013 at higher blended interest rates were repaid as we added new securitization trust debt at significantly lower blended interest rates.

Interest expense on senior secured debt and subordinated renewable notes decreased by $7.4 million, or 65.6%. This was due primarily to the repayment in full of $39.2 million in senior secured debt in the first quarter of 2014. In addition, we reduced the balance of our outstanding subordinated renewable notes by $3.9 million from $19.1 million at December 31, 2013 to $15.2 million at December 31, 2014. The reduction in interest expense was also a result of our decreasing the average interest rate on our subordinated renewable notes from 14.5% for the year ended December 31, 2013 to 12.9% for the year ended December 31, 2014.

Interest expense on residual interest financing decreased $1.3 million in the year ended December 31, 2014 compared to the prior year. The decrease is due to the repayments on that facility of $6.8 million during the year.

Interest expense on warehouse lines of credit increased by $214,000, or 4.3% for the year ended December 31, 2014 compared to the prior year. Although we increased our contract purchases by $180.9 million, or 23.7%, to $944.9 million for the year ended December 31, 2014 compared to the prior year, we attempt to minimize the use of our warehouse credit facilities and rely more on unrestricted cash balances to fund our contract purchases prior to securitization.

The following table presents the components of interest income and interest expense and a net interest yield analysis for the years ended December 31, 2014 and 2013:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | **(Dollars in thousands)** | | | | | |
| | Average Balance (1) | Interest | Annualized Average Yield/Rate | Average Balance (1) | Interest | Annualized Average Yield/Rate |

| | | | | | | |
|---|---|---|---|---|---|---|
| Interest Earning Assets | | | | | | |
| Finance receivables gross (2) | $1,383,193 | $285,169 | 20.6% | $1,015,404 | $225,268 | 22.2% |
| Finance receivables measured at fair value | 5,919 | 1,565 | 26.4% | 31,294 | 6,062 | 19.4% |
| | $1,389,112 | 286,734 | 20.6% | $1,046,698 | 231,330 | 22.1% |
| | | | | | | |
| Interest Bearing Liabilities | | | | | | |
| Warehouse lines of credit | $52,596 | 5,217 | 9.9% | $40,285 | 5,003 | 12.4% |
| Residual interest financing | 14,225 | 1,989 | 14.0% | 24,107 | 3,330 | 13.8% |
| Debt secured by receivables measured at fair value | 5,561 | 772 | 13.9% | 27,506 | 3,877 | 14.1% |
| Securitization trust debt | 1,298,033 | 38,558 | 3.0% | 941,591 | 34,744 | 3.7% |
| Senior secured debt, related party | 9,471 | 1,651 | 17.4% | 41,906 | 8,064 | 19.2% |
| Subordinated renewable notes | 17,074 | 2,208 | 12.9% | 21,763 | 3,161 | 14.5% |
| | $1,396,960 | 50,395 | 3.6% | $1,097,158 | 58,179 | 5.3% |
| | | | | | | |
| Net interest income/spread | | $236,339 | | | $173,151 | |
| Net interest margin (3) | | | 17.0% | | | 16.5% |
| Ratio of average interest earning assets to average interest bearing liabilities | 99% | | | 95% | | |

(1) Average balances are based on month end balances except for warehouse lines of credit, which are based on daily balance

(2) Net of deferred fees and direct costs.

(3) Annualized net interest income divided by average interest earning assets.

| | Year Ended December 31, 2014 Compared to December 31, 2013 | | |
|---|---|---|---|
| | Total Change | Change Due to Volume | Change Due to Rate |
| Interest Earning Assets | **(In thousands)** | | |
| Finance receivables gross | $59,901 | $81,594 | $(21,693) |
| Finance receivables measured at fair value | (4,497) | (4,915) | 418 |
| | 55,404 | 76,679 | (21,275) |
| Interest Bearing Liabilities | | | |
| Warehouse lines of credit | 214 | 1,529 | (1,315) |
| Residual interest financing | (1,341) | (1,365) | 24 |
| Debt secured by receivables measured at fair value | (3,105) | (3,093) | (12) |
| Securitization trust debt | 3,814 | 13,152 | (9,338) |
| Senior secured debt, related party | (6,413) | (6,241) | (172) |
| Subordinated renewable notes | (953) | (681) | (272) |
| | (7,784) | 3,301 | (11,085) |
| Net interest income/spread | $63,188 | $73,378 | $(10,190) |

Provision for credit losses was $108.2 million for the year ended December 31, 2014, an increase of $31.4 million, or 40.8% compared to the prior year and represented 43.6% of total operating expenses. The provision for credit losses maintains the allowance for finance credit losses at levels that we feel are adequate for probable incurred credit losses that can be reasonably estimated. Our approach for establishing the allowance requires greater amounts of provision for credit losses early in the terms of our finance receivables. Consequently, the increase in provision expense is the result of the increase in contract purchases during the last year and the larger portfolio owned by our consolidated subsidiaries compared to the prior year.

Marketing expenses consist primarily of commission-based compensation paid to our employee marketing representatives. Our marketing representatives earn a salary plus commissions based on volume of contract purchases and sales of ancillary products and services that we offer our dealers, such as training programs, internet lead sales, and direct mail products. Marketing expenses increased by $2.8 million, or 20.6%, to $16.1 million during the year ended December 31, 2014, compared to $13.4 million in the prior year, and represented 6.5% of total operating expenses. For the year ended December 31, 2014, we purchased 59,276 contracts representing $944.9 million in receivables compared to 48,995 contracts representing $764.1 million in receivables in the prior year.

Occupancy expenses increased by $856,000 or 32.8%, to $3.5 million compared to $2.6 million in the previous year and represented 1.4% of total operating expenses. In April 2014, we established our fifth servicing center located in Las Vegas, Nevada.

Depreciation and amortization expenses decreased by $9,000 or 2.1%, to $428,000 compared to $437,000 in the previous year and represented 0.2% of total operating expenses.

For the year ended December 31, 2014, we recorded income tax expense of $22.7 million, representing a 43.5% effective income tax rate. In the prior year, we recorded $16.2 million of income tax expense, also representing a 43.5% effective income tax rate.

*Comparison of Operating Results for the year ended December 31, 2013 with the year ended December 31, 2012*

*Revenues*. In April 2013, we repurchased the outstanding Class D notes from our first 2008 securitization for a cash payment and a new note. We subsequently exercised our “clean-up call” option and repurchased the remaining collateral from the related securitization trust. The aggregate value of our consideration for the Class D notes was $10.9 million less than our carrying value of the Class D notes at the time of the repurchase. As a result of the repurchase of the Class D notes and the termination of the securitization trust, we realized a gain of $10.9 million, or 4.3% of our total revenues of $255.8 million for year ended December 31, 2013.

During the year ended December 31, 2013, excluding the gain on cancellation of debt of $10.9 million, our revenues were $244.8 million, an increase of $57.6 million, or 30.8%, from the prior year revenue of $187.2 million. The primary reason for the increase in revenues is an increase in interest income. Interest income for the year ended December 31, 2013 increased $56.0 million, or 32.0%, to $231.3 million from $175.3 million in the prior year. The primary reason for the increase in interest income is the increase in finance receivables held by consolidated subsidiaries, which increased from $868.7 million at December 31, 2012 to $1,222.5 million at December 31, 2013. The table below shows the average balances of our portfolio held by consolidated subsidiaries for the year ended December 31, 2013 and 2012:

| | December 31, 2013 Amount | December 31, 2012 Amount |
|---|---|---|
| Finance Receivables Owned by Consolidated Subsidiaries | ($ in millions) | |
| CPS Originated Receivables | $1,044.7 | $ 699.0 |
| Fireside | 31.3 | 103.5 |
| Total | $1,076.0 | $ 802.5 |

Servicing fees totaling $3.1 million in the year ended December 31, 2013 increased $788,000, or 34.2%, from $2.3 million in the prior year. We earn base servicing fees on three portfolios that are decreasing in size as we receive customer payments and, consequently, base servicing fees are decreasing also. On one of those portfolios, however, we recently began earning an incentive servicing fee. Such incentive servicing fee was $1.6 million for the year ended

December 31, 2013 and more than offset the decrease of $600,000 in base servicing fees. We did not earn any incentive servicing fee in the prior year. As of December 31, 2013 and 2012, our managed portfolio owned by consolidated vs. non-consolidated subsidiaries and other third parties was as follows:

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Amount (1) | %(2) | Amount (1) | %(2) |
| Total Managed Portfolio | **($ in millions)** | | | |
| Owned by Consolidated Subsidiaries | | | | |
| CPS Originated Receivables | | | | |