
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2006

Commission file number: 1-11416

CONSUMER PORTFOLIO SERVICES, INC.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

33-0459135
(IRS Employer
Identification No.)

16355 Laguna Canyon Road, Irvine, California
(Address of principal executive offices)

92618
(Zip Code)

Registrant's telephone number: (949) 753-6800

Former name, former address and former fiscal year, if changed since last report: N/A

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

Indicate by check mark whether the registrant is a large accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

As of May 8, 2006 the registrant had 21,859,968 common shares outstanding.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
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Item 1. Financial Statements**CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)**

	March 31, 2006	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 25,504	\$ 17,789
Restricted cash and equivalents	212,428	157,662
Finance receivables	1,114,671	971,304
Less: Allowance for finance credit losses	(63,846)	(57,728)
Finance receivables, net	1,050,825	913,576
Residual interest in securitizations	22,608	25,220
Furniture and equipment, net	1,042	1,079
Deferred financing costs	9,872	8,596
Deferred tax assets, net	8,295	7,532
Accrued interest receivable	10,733	10,930
Other assets	12,916	12,760
	<u>\$ 1,354,223</u>	<u>\$ 1,155,144</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$ 18,721	\$ 19,568
Warehouse lines of credit	75,056	35,350
Notes payable	172	211
Residual interest financing	37,728	43,745
Securitization trust debt	1,100,606	924,026
Senior secured debt, related party	40,000	40,000
Subordinated renewable notes	6,314	4,655
Subordinated debt	-	14,000
	<u>1,278,597</u>	<u>1,081,555</u>
COMMITMENTS AND CONTINGENCIES		
Shareholders' Equity		
Preferred stock, \$1 par value; authorized 5,000,000 shares; none issued	-	-
Series A preferred stock, \$1 par value; authorized 5,000,000 shares; 3,415,000 shares issued; none outstanding	-	-
Common stock, no par value; authorized 30,000,000 shares; 21,819,333 and 21,687,584 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	66,995	66,748
Additional paid in capital, warrants	794	794
Retained earnings	10,266	8,476
Accumulated other comprehensive loss	(2,429)	(2,429)
	<u>75,626</u>	<u>73,589</u>
	<u>\$ 1,354,223</u>	<u>\$ 1,155,144</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended March 31,	
	2006	2005
Revenues:		
Interest income	\$ 54,527	\$ 36,172
Servicing fees	1,005	2,265
Other income	2,492	3,396
	58,024	41,833
Expenses:		
Employee costs	9,357	10,450
General and administrative	5,111	5,138
Interest	16,781	8,506
Interest, related party	1,254	1,878
Provision for credit losses	19,099	12,312
Marketing	3,536	2,799
Occupancy	903	782
Depreciation and amortization	193	207
	56,234	42,072
Income (loss) before income tax expense	1,790	(239)
Income tax expense	-	-
Net income (loss)	\$ 1,790	\$ (239)
Earnings (loss) per share:		
Basic	\$ 0.08	\$ (0.01)
Diluted	0.07	(0.01)
Number of shares used in computing earnings (loss) per share:		
Basic	21,732	21,528
Diluted	24,188	21,528

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended March 31,	
	2006	2005
<i>Cash flows from operating activities:</i>		
Net income (loss)	\$ 1,790	\$ (239)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of deferred acquisition fees	(2,620)	(2,614)
Amortization of discount on Class B Notes	554	281
Depreciation and amortization	193	207
Amortization of deferred financing costs	1,242	755
Provision for credit losses	19,099	12,312
Deferred compensation	-	56
Releases of cash from Trusts to Company	3,943	8,010
Net deposits to Trusts to increase Spread Accounts	(6,070)	(3,234)
Interest income on residual assets	(961)	(1,683)
Cash received from residual interest in securitizations	3,573	7,980
Changes in assets and liabilities:		
Payments on restructuring accrual	(351)	(193)
Restricted cash	(52,638)	(29,720)
Accrued interest receivable	197	(406)
Other assets	(191)	752
Tax assets	(763)	-
Accounts payable and accrued expenses	(496)	(1,314)
Tax liabilities	-	(155)
Net cash used in operating activities	(33,499)	(9,205)
<i>Cash flows from investing activities:</i>		
Purchases of finance receivables held for investment	(255,586)	(144,165)
Proceeds received on finance receivables held for investment	101,858	64,355
Purchase of furniture and equipment	(121)	(22)
Net cash used in investing activities	(153,849)	(79,832)
<i>Cash flows from financing activities:</i>		
Proceeds from issuance of securitization trust debt	280,977	135,924
Proceeds from issuance of retail notes payable	1,660	-
Net proceeds (repayments) from warehouse lines of credit	39,706	16,256
Repayment of residual interest financing debt	(6,018)	(5,793)
Repayment of securitization trust debt	(104,951)	(59,590)
Repayment of subordinated debt	(14,000)	(1,000)
Repayment of notes payable	(40)	(560)
Payment of financing costs	(2,518)	(1,094)
Repurchase of common stock	(756)	-
Tax benefit from exercise of stock options	337	-
Exercise of options and warrants	666	258
Net cash provided by financing activities	195,063	84,401
Increase (decrease) in cash	7,715	(4,636)
Cash at beginning of period	17,789	14,366
Cash at end of period	\$ 25,504	\$ 9,730
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid during the period for:		
Interest	\$ 14,713	\$ 9,410
Income taxes	\$ 312	\$ 155

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Description of Business

Consumer Portfolio Services, Inc. (“CPS”) was incorporated in California on March 8, 1991. CPS and its subsidiaries (collectively, the “Company”) specialize primarily in purchasing, selling and servicing retail automobile installment sale contracts (“Contracts” or “finance receivables”) originated by licensed motor vehicle dealers located throughout the United States (“Dealers”) in the sale of new and used automobiles, light trucks and passenger vans. Through its purchases, the Company provides indirect financing to Dealer customers for borrowers with limited credit histories, low incomes or past credit problems (“Sub-Prime Customers”). The Company serves as an alternative source of financing for Dealers, allowing sales to customers who otherwise might not be able to obtain financing. The Company does not lend money directly to consumers. Rather, it purchases installment Contracts from Dealers based on its financing programs (the “CPS Programs”).

Basis of Presentation

The Unaudited Condensed Consolidated Financial Statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America, with the instructions to Form 10-Q and with Article 10 of Regulation S-X of the Securities and Exchange Commission, and include all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are, in the opinion of management, of a normal recurring nature. In addition, certain items in prior period financial statements may have been reclassified for comparability to current period presentation. Results for the three-month period ended March 31, 2006 are not necessarily indicative of the operating results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from these Unaudited Condensed Consolidated Financial Statements. These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005.

Other Income

Other Income consists primarily of recoveries on previously charged off MFN contracts and fees paid to the Company by Dealers for certain direct mail services the Company provides. The recoveries on the charged-off MFN contracts were \$937,000 and \$1.6 million for the three months ended March 31, 2006 and 2005, respectively. The direct mail revenues were \$897,000 and \$1.2 million for the same periods in 2006 and 2005, respectively.

Stock-based Compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), “Share-Based Payment, revised 2004” (SFAS 123R), prospectively for all option awards granted, modified or settled after January 1, 2006 using the modified prospective method. Under this method, the Company recognizes compensation costs in the financial statements for all share-based payments granted subsequent to January 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

For the three months ended March 31, 2006, the Company recorded no stock-based compensation costs as there were no option awards granted during the three-month period ended March 31, 2006 and there was no vesting of option awards for options granted prior to January 1, 2006 since all options outstanding as of December 31, 2005 were fully vested at that time. As of March 31, 2006, there are no unrecognized stock-based compensation costs to be recognized over future periods.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following represents stock option activity for the three months ended March 31, 2006:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Options outstanding at the beginning of period.....	4,864	\$ 3.38	
Granted.....	-	-	
Exercised.....	(251)	2.66	
Forefited.....	(4)	3.27	
Options outstanding at the end of period.....	<u>4,609</u>	<u>\$ 3.42</u>	<u>7.33 years</u>
Options exercisable at the end of period.....	<u>4,609</u>	<u>\$ 3.42</u>	<u>7.33 years</u>

At March 31, 2006 the aggregate intrinsic value of options outstanding and exercisable was \$22.0 million. The total intrinsic value of options exercised was \$1.0 million and \$399,000 for the three months ended March 31, 2006 and 2005, respectively. New shares were issued for all options exercised during the three-month periods ended March 31, 2006 and 2005. There were 169,261 shares available for future stock option grants under existing plans as of March 31, 2006.

Prior to January 1, 2006, as was permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), the Company accounted for stock-based employee compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, whereby stock options are recorded at intrinsic value equal to the excess of the share price over the exercise price at the date of grant. The Company provided the pro forma net income (loss), pro forma earnings (loss) per share, and stock based compensation plan disclosure requirements set forth in SFAS No. 123. The Company accounted for repriced options as variable awards.

Compensation cost was recognized for certain stock options in the Unaudited Condensed Consolidated Financial Statements in accordance with APB Opinion No. 25. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation," the Company's net (loss) and (loss) per share would have been increased to the pro forma amounts indicated below.

	Three Months Ended March 31, 2005	
	(In thousands, except per share data)	
Net (loss), as reported.....	\$	(239)
Stock-based employee compensation expense, fair value method, net of tax.....		(200)
Previously recorded stock-based employee compensation expense, intrinsic value method, net of tax.....		<u>32</u>
Pro forma net (loss).....	<u>\$</u>	<u>(407)</u>
Net (loss) per share		
Basic, as reported.....	\$	(0.01)
Diluted, as reported.....	\$	(0.01)
Pro forma Basic.....	\$	(0.02)
Pro forma Diluted.....	\$	(0.02)

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company uses the Black-Scholes-Merton option valuation model to estimate the fair value of each option on the date of grant using the assumptions noted in the following table. The Company utilizes assumptions on expected life, risk-free rate, expected volatility, and dividend yield to determine such values. The Company did not disclose assumptions for the three months ended March 31, 2006 because there were no options granted in the period. The expected term of options granted is derived from historical data on employee exercise and post-vesting termination behavior. The risk-free rate is based on treasury instruments in effect at the time of grant whose terms are consistent with the expected term of the Company's stock options. Expected volatility is based on historical volatility of the Company's stock. The dividend yield is based on historical experience and expected future changes.

	Three Months Ended
	March 31,
	2005
Risk-free interest rate.....	4.30%
Expected term, in years.....	6.5
Expected volatility.....	52.53%
Dividend yield.....	0%

Purchases of Company Stock

During the three-month periods ended March 31, 2006 and 2005, the Company purchased 118,751 and zero shares, respectively, of its common stock. The shares purchased during the three-month period ended March 31, 2006 were purchased at an average price of \$6.37.

New Accounting Pronouncements

In March 2006, the FASB issued FASB Statement No. 156, "Accounting for the Servicing of Financial Assets an Amendment to FASB Statement No. 140" (FAS 156). With respect to the accounting for separately recognized servicing assets and servicing liabilities, this statement: (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a specific types of servicing contracts identified in the statement, (2) requires that all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable, (3) permits an entity to choose subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities, (4) permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights at the initial adoption of this statement, and (5) requires a separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. FAS 156 will be effective for the Company on January 1, 2007. The Company is currently in the process of evaluating the effects of this Standard, but does not believe it will have a significant effect on its financial position or results of operations.

(2) Finance Receivables

The following table presents the components of Finance Receivables, net of unearned interest and deferred acquisition fees:

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	March 31, 2006	December 31, 2005
	(In thousands)	
Finance Receivables		
Automobile		
Simple Interest.....	\$ 1,087,048	\$ 933,510
Pre-compute, net of unearned interest.....	46,882	54,693
Finance Receivables, net of unearned interest.....	1,133,930	988,203
Less: Unearned acquisition fees and originations costs.....	(19,259)	(16,899)
Finance Receivables.....	<u>\$ 1,114,671</u>	<u>\$ 971,304</u>

The following table presents a summary of the activity for the allowance for credit losses for the three-month periods ended March 31, 2006 and 2005:

	March 31, 2006	March 31, 2005
	(In thousands)	
Balance at beginning of period.....	\$ 57,728	\$ 42,615
Provision for credit losses on finance receivables	19,099	12,312
Recoveries.....	(19,235)	(11,436)
Charge offs.....	6,254	2,793
Balance at end of period.....	<u>\$ 63,846</u>	<u>\$ 46,284</u>

(3) Residual Interest in Securitizations

The residual interest in securitizations represents the discounted sum of expected future cash flows from securitization trusts. The following table presents the components of the residual interest in securitizations and are shown at their discounted amounts:

	March 31, 2006	December 31, 2005
	(In thousands)	
Cash, commercial paper, United States government securities and other qualifying investments (Spread Accounts).....	\$ 13,201	\$ 12,748
Receivables from Trusts (NIRs).....	3,913	5,798
Overcollateralization.....	5,494	6,674
Residual interest in securitizations.....	<u>\$ 22,608</u>	<u>\$ 25,220</u>

The following table presents estimated remaining undiscounted credit losses included in the fair value estimate of the Residuals as a percentage of the Company's managed portfolio held by non-consolidated subsidiaries subject to recourse provisions:

	March 31, 2006	December 31, 2005
	(Dollars in thousands)	
Undiscounted estimated credit losses.....	\$ 4,648	\$ 5,724
Managed portfolio held by non-consolidated subsidiaries.....	83,162	103,130
Undiscounted estimated credit losses as percentage of managed portfolio held by non-consolidated subsidiaries.....	5.6%	5.6%

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The key economic assumptions used in measuring all residual interest in securitizations as of March 31, 2006 and December 31, 2005 are included in the table below. The pre-tax discount rate remained constant from previous periods at 14%, except for certain cash flows from charged off receivables related to the Company's securitizations from 2001 to 2003 where the Company has used a discount rate of 25%, which is also consistent with previous periods.

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Prepayment speed (Cumulative).....	22.2% - 35.3%	22.2% - 35.8%
Net credit losses (Cumulative).....	12.3% - 20.0%	11.9% - 20.2%

(4) Securitization Trust Debt

The Company has completed a number of securitization transactions that are structured as secured borrowings for financial accounting purposes. The debt issued in these transactions is shown on the Company's Unaudited Condensed Consolidated Balance Sheets as "Securitization Trust Debt," and the components of such debt are summarized in the following table:

<u>Series</u>	<u>Final Scheduled Payment Date (1)</u>	<u>Receivables Pledged at March 31, 2006</u>	<u>Initial Principal</u>	<u>Outstanding Principal at March 31, 2006</u>	<u>Outstanding Principal at December 31, 2005</u>	<u>Weighted Average Interest Rate at March 31, 2006</u>
MFN 2001-A	June 2007	\$ -	\$ 301,000	\$ -	\$ -	N/A
TFC 2002-1	August 2007	-	64,552	-	-	N/A
TFC 2002-2	March 2008	-	62,589	-	-	N/A
TFC 2003-1	January 2009	5,413	52,365	4,741	6,557	2.69%
CPS 2003-C	March 2010	26,859	87,500	25,835	30,550	3.57%
CPS 2003-D	October 2010	26,481	75,000	25,384	29,688	3.81%
CPS 2004-A	October 2010	34,626	82,094	34,695	40,225	3.84%
PCR 2004-1	March 2010	21,361	76,257	17,671	22,873	3.80%
CPS 2004-B	February 2011	46,279	96,369	46,394	52,704	4.17%
CPS 2004-C	April 2011	54,594	100,000	54,507	61,779	3.95%
CPS 2004-D	December 2011	73,473	120,000	72,530	82,801	4.44%
CPS 2005-A	October 2011	96,983	137,500	97,113	110,021	5.11%
CPS 2005-B	February 2012	109,360	130,625	107,749	113,194	4.56%
CPS 2005-C	March 2012	172,025	183,300	169,778	173,509	5.00%
CPS 2005-TFC	July 2012	71,941	72,525	62,432	72,525	5.79%
CPS 2005-D	July 2012	138,293	145,000	136,777	127,600	5.63%
CPS 2006-A (2)	November 2012	142,446	245,000	245,000	-	5.87%
		<u>\$ 1,020,134</u>	<u>\$ 2,031,676</u>	<u>\$ 1,100,606</u>	<u>\$ 924,026</u>	

(1) The Final Scheduled Payment Date represents final legal maturity of the securitization trust debt. Securitization trust debt is expected to become due and to be paid prior to those dates, based on amortization of the finance receivables pledged to the Trusts. Expected payments, which will depend on the performance of such receivables, as to which there can be no assurance, are \$290.2 million in 2006, \$289.8 million in 2007, \$211.1 million in 2008, \$154.6 million in 2009, \$110.6 million in 2010 and \$44.4 million in 2012.

(2) Receivables Pledged at March 31, 2006 excludes approximately \$100.7 million in Contracts delivered to this Trust in April 2006 pursuant to a pre-funding structure.

All of the securitization trust debt was sold in private placement transactions to qualified institutional buyers. The debt was issued through wholly-owned bankruptcy remote subsidiaries of CPS, TFC or MFN, and is secured by the assets of such subsidiaries, but not by other assets of the Company. Principal of \$1.0 billion,

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

and the related interest payments, are guaranteed by financial guaranty insurance policies issued by third party financial institutions.

The terms of the various Securitization Agreements related to the issuance of the securitization trust debt and the warehouse credit facilities require that certain delinquency and credit loss criteria be met with respect to the collateral pool, and require that the Company maintain minimum levels of liquidity and net worth and not exceed maximum leverage levels and maximum financial losses. In addition, certain securitization and non-securitization related debt contain cross-default provisions, which would allow certain creditors to declare a default if a default were declared under a different facility. As of March 31, 2006, the Company was in compliance with all such financial covenants.

The Company is responsible for the administration and collection of the Contracts. The Securitization Agreements also require certain funds be held in restricted cash accounts to provide additional collateral for the borrowings or to be applied to make payments on the securitization trust debt. As of March 31, 2006, restricted cash under the various agreements totaled approximately \$212.4 million. Interest expense on the securitization trust debt is composed of the stated rate of interest plus amortization of additional costs of borrowing. Additional costs of borrowing include facility fees, insurance and amortization of deferred financing costs. Deferred financing costs related to the securitization trust debt are amortized using a level yield method. Accordingly, the effective cost of borrowing of the securitization trust debt is greater than the stated rate of interest.

The wholly-owned, bankruptcy remote subsidiaries of CPS, MFN and TFC were formed to facilitate the above asset-backed financing transactions. Similar bankruptcy remote subsidiaries issue the debt outstanding under the Company's warehouse lines of credit. Bankruptcy remote refers to a legal structure in which it is expected that the applicable entity would not be included in any bankruptcy filing by its parent or affiliates. All of the assets of these subsidiaries have been pledged as collateral for the related debt. All such transactions, treated as secured financings for accounting and tax purposes, are treated as sales for all other purposes, including legal and bankruptcy purposes. None of the assets of these subsidiaries are available to pay other creditors of the Company or its affiliates.

(5) Interest Income

The following table presents the components of interest income:

	Three Months Ended	
	March 31,	
	2006	2005
Interest on Finance Receivables.....	52,360	33,985
Residual interest income.....	961	1,683
Other interest income.....	1,206	504
Net interest income.....	54,527	36,172

(6) Earnings (Loss) Per Share

Earnings (loss) per share for the three-month periods ended March 31, 2006 and 2005 were calculated using the weighted average number of shares outstanding for the related period. The following table reconciles the number of shares used in the computations of basic and diluted earnings (loss) per share for the three-month periods ended March 31, 2006 and 2005:

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended	
	March 31,	
	2006	2005
	(In thousands)	
Weighted average number of common shares outstanding during the period used to compute basic earnings (loss) per share.....	21,732	21,528
Incremental common shares attributable to exercise of outstanding options and warrants.....	2,456	-
Weighted average number of common shares used to compute diluted earnings (loss) per share.....	24,188	21,528

If the anti-dilutive effects of common stock equivalents were considered, additional shares included in the diluted earnings (loss) per share calculation for the three-month period ended March 31, 2005 would have included an additional 2.0 million shares attributable to the exercise of outstanding options and warrants. No such anti-dilution adjustment was applicable to the three-month period ended March 31, 2006.

(7) Income Taxes

As of December 31, 2005, the Company had net deferred tax assets of \$7.5 million, which included a valuation allowance of \$43.7 million against gross deferred tax assets of \$53.1 million. There were also offsetting gross deferred tax liabilities of \$1.8 million. Net tax assets at March 31, 2006 were \$8.3 million compared with net tax assets at December 31, 2005 of \$7.5 million. The Company decreased its valuation allowance by the income tax expense for the period to result in no net income tax provision for the three-month period ended March 31, 2006. The Company has evaluated its deferred tax assets and believes that it is more likely than not that certain deferred tax assets will not be realized due to limitations imposed by the Internal Revenue Code and expected future taxable income.

(8) Legal Proceedings

Stanwich Litigation. CPS was for some time a defendant in a class action (the “Stanwich Case”) brought in the California Superior Court, Los Angeles County. The original plaintiffs in that case were persons entitled to receive regular payments (the “Settlement Payments”) under out-of-court settlements reached with third party defendants. Stanwich Financial Services Corp. (“Stanwich”), an affiliate of the former chairman of the board of directors of CPS, is the entity that was obligated to pay the Settlement Payments. Stanwich has defaulted on its payment obligations to the plaintiffs and in June 2001 filed for reorganization under the Bankruptcy Code, in the federal Bankruptcy Court of Connecticut. At December 31, 2004, CPS was a defendant only in a cross-claim brought by one of the other defendants in the case, Bankers Trust Company, which asserted a claim of contractual indemnity against CPS.

CPS subsequently settled the cross-claim of Bankers Trust by payment of \$3.24 million, on or about February 8, 2005. Pursuant to that settlement, the court has dismissed the cross-claim, with prejudice. The amount paid by the Company was accrued for and included in Accounts payable and accrued expenses in the Company’s balance sheet as of December 31, 2004.

In November 2001, one of the defendants in the Stanwich Case, Jonathan Pardee, asserted claims for indemnity against the Company in a separate action, which is now pending in federal district court in Rhode Island. The Company has filed counterclaims in the Rhode Island federal court against Mr. Pardee, and has filed a separate action against Mr. Pardee's Rhode Island attorneys, in the same court. The action of Mr. Pardee against CPS is stayed, awaiting resolution of an adversary action brought against Mr. Pardee in the bankruptcy court, which is hearing the bankruptcy of Stanwich.

The reader should consider that any adverse judgment against CPS in the Stanwich Case (or the related case in Rhode Island) for indemnification, in an amount materially in excess of any liability already recorded in respect thereof, could have a material adverse effect on the Company’s financial position.

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Other Litigation. On June 2, 2004, Delmar Coleman filed a lawsuit in the circuit court of Tuscaloosa, Alabama, alleging that plaintiff Coleman was harmed by an alleged failure to refer, in the notice given after repossession of his vehicle, to the right to purchase the vehicle by tender of the full amount owed under the retail installment contract. Plaintiff seeks damages in an unspecified amount, on behalf of a purported nationwide class. CPS removed the case to federal bankruptcy court, and filed a motion for summary judgment as part of its adversary proceeding against the plaintiff in the bankruptcy court. The federal bankruptcy court granted the plaintiff's motion to send the matter back to Alabama state court. CPS appealed the ruling, and the federal district court, in which the appeal was heard, has since ordered the bankruptcy court to decide whether the plaintiff has standing to pursue her claims, and, if standing is found, to reconsider its remand decision. It is possible that plaintiff may in turn appeal from the order of the district court. Although CPS believes that it has one or more defenses to each of the claims made in this lawsuit, no discovery has yet been conducted and the case remains in its earliest stages. Accordingly, there can be no assurance as to its outcome.

In June 2004, Plaintiff Jeremy Henry filed a lawsuit against the Company in the California Superior Court, San Diego County, alleging improper practices related to the notice given after repossession of a vehicle that he purchased. Plaintiff's motion for a certification of a class has been denied, and is the subject of an appeal now before the California Court of Appeal. Irrespective of the outcome of that appeal, as to which there can be no assurance, the Company has a number of defenses that may be asserted with respect to the claims of plaintiff Henry.

In August and September 2005, two plaintiffs represented by the same law firm filed substantially identical lawsuits in the federal district court for the northern district of Illinois, each of which purports to be a class action, and each of which alleges that CPS improperly accessed consumer credit information. CPS has reached agreements in principle to settle these cases, which await confirmation by the court.

The Company has recorded a liability as of March 31, 2006 that it believes represents a sufficient allowance for legal contingencies, including those described above. Any adverse judgment against the Company, if in an amount materially in excess of the recorded liability, could have a material adverse effect on the financial position of the Company.

The Company is routinely involved in various legal proceedings resulting from its consumer finance activities and practices, both continuing and discontinued. The Company believes that there are substantive legal defenses to such claims, and intends to defend them vigorously. There can be no assurance, however, as to the outcome.

(9) Employee Benefits

The Company sponsors the MFN Financial Corporation Benefit Plan ("the Plan"). Plan benefits were frozen September 30, 2001. The table below sets forth the Plan's net periodic benefit cost for the three months ended March 31, 2006 and 2005.

	Three Months Ended	
	March 31,	
	2006	2005
Components of net periodic benefit cost		
Service cost.....	\$ -	\$ -
Interest Cost.....	213	211
Expected return on assets.....	(287)	(292)
Amortization of transition (asset)/obligation.....	(2)	(9)
Amortization of net (gain) / loss.....	34	12
Net periodic benefit cost.....	<u>\$ (42)</u>	<u>\$ (78)</u>

(10) Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

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	Three Months Ended	
	March 31,	
	2006	2005
Net income (loss).....	\$ 1,790	\$ (239)
Minimum pension liability, net of tax.....	-	(185)
Comprehensive income (loss).....	<u>\$ 1,790</u>	<u>\$ (424)</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Consumer Portfolio Services, Inc. ("CPS," and together with its subsidiaries, the "Company") is a consumer finance company specializing in purchasing, selling and servicing retail automobile installment purchase contracts ("Contracts") originated by licensed motor vehicle dealers ("Dealers") in the sale of new and used automobiles, light trucks and passenger vans. Through its purchases, the Company provides indirect financing to Dealer customers with limited credit histories, low incomes or past credit problems ("Sub-Prime Customers"). The Company serves as an alternative source of financing for Dealers, allowing sales to customers who otherwise might not be able to obtain financing. The Company does not lend money directly to consumers. Rather, it purchases installment Contracts from Dealers.

CPS was incorporated and began its operations in 1991. In March 2002, CPS acquired by merger (the "MFN Merger") MFN Financial Corp. and its subsidiaries. In May 2003, CPS acquired by merger (the "TFC Merger") TFC Enterprises Inc. and its subsidiaries. Both MFN Financial Corp and TFC Enterprises Inc., through their respective subsidiaries, were engaged in businesses substantially similar to that of CPS, and in each merger CPS acquired a portfolio of receivables that had been held by the acquired company. Each merger was accounted for as a purchase. The indirect financing programs of subsidiaries of TFC Enterprises, Inc. were directed principally to members of the United States armed forces. The Company has continued to offer such financing programs (the "TFC Programs") subsequent to the TFC merger, in addition to its other financing programs (the "CPS Programs").

On April 2, 2004, the Company purchased a portfolio of Contracts and certain other assets (the "SeaWest Asset Acquisition") from SeaWest Financial Corporation ("SeaWest"). In addition, the Company was named the successor servicer for three term securitization transactions originally sponsored by SeaWest (the "SeaWest Third Party Portfolio"). The Company does not intend to offer financing programs similar to those previously offered by SeaWest.

Securitization

Generally

Throughout the periods for which information is presented in this report, the Company has purchased Contracts with the intention of repackaging them in securitizations. All such securitizations have involved identification of specific Contracts, sale of those Contracts (and associated rights) to a special purpose subsidiary of the Company, and issuance of asset-backed securities to fund the transactions. Depending on the structure of the securitization, the transaction may be properly accounted for as a sale of the Contracts, or as a secured financing.

When the transaction is structured as a secured financing, the subsidiary is consolidated with the Company. Accordingly, the sold Contracts and the related securitization trust debt appear as assets and liabilities, respectively, of the Company on its Unaudited Condensed Consolidated Balance Sheet. The Company then periodically (i) recognizes interest and fee income on the receivables, (ii) recognizes interest expense on the securities issued in the securitization, and (iii) records as expense a provision for credit losses on the receivables.

When structured as a sale, the subsidiary is not consolidated with the Company. Accordingly, the securitization removes the sold Contracts from the Company's Unaudited Condensed Consolidated Balance Sheet, the asset-backed securities (debt of the non-consolidated subsidiary) do not appear as debt of the Company, and the Company shows as an asset a retained residual interest in the sold Contracts. The residual interest represents the discounted value of what the Company expects to receive from these transactions, which includes the excess of future collections on the Contracts over principal and interest due on the asset-backed securities. The

residual interest appears on the Company's balance sheet as "Residual interest in securitizations," and the determination of its value is dependent on estimates of the future performance of the sold Contracts.

Change in Policy

Effective with the third quarter of 2003, the Company announced that it would structure its future securitization transactions related to Contracts purchased under the CPS Programs as secured financings for financial accounting purposes. Its subsequent term securitizations of finance receivables have been so structured. Prior to August 2003, the Company had structured its term securitization transactions related to the CPS Programs as sales for financial accounting purposes. In the MFN Merger and in the TFC Merger the Company acquired finance receivables that had been previously securitized in term securitization transactions that were reflected as secured financings. As of March 31, 2006, the Company's Unaudited Condensed Consolidated Balance Sheet included net finance receivables of approximately \$19.0 million and securitization trust debt of \$4.7 million related to finance receivables acquired in the two mergers and the SeaWest Asset Acquisition, out of totals of net finance receivables of approximately \$1.1 billion and securitization trust debt of approximately \$1.1 billion.

Credit Risk Retained

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 the Company if the credit performance of the securitized Contracts falls short of pre-determined standards. Such releases represent a material portion of the cash that the Company uses to fund its operations. An unexpected deterioration in the performance of securitized Contracts could therefore have a material adverse effect on both the Company's liquidity and its results of operations, regardless of whether such Contracts are treated 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 the Company's "managed portfolio," which represents both financed and sold Contracts as to which such credit risk is retained. The Company's managed portfolio as of March 31, 2006 was approximately \$1.2 billion (this amount includes \$12.5 million related to the SeaWest Third Party Portfolio on which the Company earns only servicing fees and has no credit risk).

Results of Operations

Effects of Change in Securitization Structure

The Company's decision in the third quarter of 2003 to structure securitization transactions as borrowings secured by receivables for financial accounting purposes, rather than as sales of receivables, has affected and will affect the way in which the transactions are reported. The major effects are these: (i) the finance receivables are shown as assets of the Company on its balance sheet; (ii) the debt issued in the transactions is shown as indebtedness of the Company; (iii) cash deposited to enhance the credit of the securitization transactions ("Spread Accounts") is shown as "Restricted cash" on the Company's balance sheet; (iv) cash collected from borrowers and other sources related to the receivables prior to making the required payments under the Securitization Agreements is also shown as "Restricted cash" on the Company's balance sheet; (v) the servicing fee that the Company receives in connection with such receivables is recorded as a portion of the interest earned on such receivables in the Company's statements of operations; (vi) the Company has initially and periodically recorded as expense a provision for estimated credit losses on the receivables in the Company's statements of operations; (vii) the portion representing interest payments on the receivables is recorded as interest income in the Company's statements of operations; and (viii) interest expense on the debt issued in the transaction is recorded on the Company's statements of operations.

These changes collectively represent a deferral of revenue and acceleration of expenses, and thus a more conservative approach to accounting for the Company's operations compared to the previous term securitization transactions, which were accounted for as sales at the consummation of the transaction. The changes have resulted in the Company's initially reporting lower earnings than it would have reported if it had

continued to structure its securitizations to require recognition of gain on sale. It should also be noted that growth in the Company's portfolio of receivables in excess of current expectations would result in an increase in expenses in the form of provision for credit losses, and would initially have a negative effect on net earnings. The Company's cash availability and cash requirements should be unaffected by the change in structure.

The change in the securitization structure became effective in the third quarter of 2003. In each quarterly period subsequent to the third quarter of 2003, the Company's results have been more reflective of receivables owned by consolidated subsidiaries and less reflective of receivables in non-consolidated subsidiaries. From March 31, 2005 to March 31, 2006, receivables owned by non-consolidated subsidiaries decreased from 20.9% to 6.7% of the Company's total managed portfolio. During that same period, receivables owned by consolidated subsidiaries increased from 74.7% to 92.3% of the Company's total managed portfolio. Ultimately, receivables in non-consolidated subsidiaries will have no material effect on the Company's results of operations.

Beginning with the third quarter of 2003, the Company has conducted 11 term securitizations of Contracts originated under the CPS Programs structured as secured financings, generally on a quarterly basis. In March 2004 and November 2005, the Company completed securitizations of its retained interests in other securitizations previously sponsored by the Company and its affiliates. The debt from the March 2004 transaction was repaid in August 2005. In June 2004, the Company completed a term securitization of Contracts purchased in the SeaWest Asset Acquisition and under the TFC Programs. In December 2005, the Company completed a securitization that included Contracts purchased under the TFC Programs, the CPS Programs and Contracts re-acquired by the Company as a result of its exercise of the clean-up call provisions of certain prior securitizations of its MFN and TFC subsidiaries. Beginning with the third quarter of 2003, all of the Company's securitizations have been structured as secured financings.

The three months ended March 31, 2006 compared to the three months ended March 31, 2005

Revenues. During the three months ended March 31, 2006, revenues were \$58.0 million, an increase of \$16.2 million, or 38.7%, from the prior year period revenue of \$41.8 million. The primary reason for the increase in revenues is an increase in interest income. Interest income for the three months ended March 31, 2006 increased \$18.4 million, or 50.7%, to \$54.5 million from \$36.2 million in the prior year period. The primary reason for the increase in interest income is the increase in finance receivables held by consolidated subsidiaries (an increase of \$22.5 million). This increase was partially offset by the decline in the balance of the portfolios of Contracts acquired in the MFN and TFC Mergers and the SeaWest Asset Acquisition (in the aggregate, resulting in a decrease of \$3.4 million in interest income), and a decrease in interest earned on the Company's residual asset of \$723,000.

Servicing fees totaling \$1.0 million in the three months ended March 31, 2006 decreased \$1.3 million, or 55.6%, from \$2.3 million in the same period a year earlier. The decrease in servicing fees is the result of the change in securitization structure and the consequent decline in the Company's managed portfolio held by non-consolidated subsidiaries. As a result of the decision to structure future securitizations as secured financings, the Company's managed portfolio held by non-consolidated subsidiaries will continue to decline in future periods, and servicing fee revenue is anticipated to decline proportionately. As of March 31, 2006 and 2005, the Company's managed portfolio owned by consolidated vs. non-consolidated subsidiaries and other third parties were as follows:

	March 31, 2006		March 31, 2005	
	Amount	%	Amount	%
Total Managed Portfolio	(\$ in millions)			
Owned by Consolidated Subsidiaries.....	\$ 1,144.3	92.3%	\$ 692.0	74.7%
Owned by Non-Consolidated Subsidiaries.....	83.2	6.7%	193.8	20.9%
SeaWest Third Party Portfolio.....	12.5	1.0%	40.5	4.4%
Total.....	\$ 1,240.0	100.0%	\$ 926.3	100.0%

At March 31, 2006, the Company was generating income and fees on a managed portfolio with an outstanding principal balance approximating \$1.2 billion (this amount includes \$12.5 million related to the SeaWest Third Party Portfolio on which the Company earns only servicing fees), compared to a managed portfolio with an outstanding principal balance approximating \$926.3 million as of March 31, 2005. As the portfolios of Contracts acquired in the MFN Merger, the TFC Merger and the SeaWest Asset Acquisition decrease, the portfolio of Contracts originated under the CPS Programs continues to expand. At March 31, 2006 and 2005, the managed portfolio composition was as follows:

Originating Entity	March 31, 2006		March 31, 2005	
	Amount	%	Amount	%
	(\$ in millions)			
CPS.....	\$ 1,150.5	92.8%	\$ 760.1	82.1%
TFC.....	64.7	5.2%	83.5	9.0%
MFN.....	1.3	0.1%	11.1	1.2%
SeaWest.....	11.0	0.9%	31.1	3.4%
SeaWest Third Party Portfolio.....	12.5	1.0%	40.5	4.4%
Total.....	\$ 1,240.0	100.0%	\$ 926.3	100.0%

Other income decreased \$904,000, or 26.6%, to \$2.5 million in the three-month period ended March 31, 2006 from \$3.4 million during the same period a year earlier. The period over period decrease resulted primarily from decreases in recoveries on MFN and certain other Contracts (a decrease of \$792,000) compared to the same period of the prior year and decreased revenue on the Company's direct mail services (a decrease of \$340,000). These direct mail services are provided to the Company's Dealers and consist of customized solicitations targeted to prospective vehicle purchasers, in proximity to the Dealer, who appear to meet the Company's credit criteria. Decreases in other income for the period were somewhat offset by increases in convenience fees charged to obligors for certain transaction types (an increase of \$228,000).

Expenses. The Company's operating expenses consist primarily of provisions for credit losses, interest, employee costs and general and administrative expenses. Provisions for credit losses and interest expense are significantly impacted by the volume of Contracts purchased by the Company during a 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 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 the unemployment level.

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

Other operating expenses consist primarily of facilities expenses, telephone and other communication services, credit services, computer services (including employee costs associated with information technology support), professional services, marketing and advertising expenses, and depreciation and amortization.

Total operating expenses were \$56.2 million for the three months ended March 31, 2006, compared to \$42.1 million for the same period a year earlier, an increase of \$14.2 million, or 33.7%. The increase is primarily due to increases in provision for credit losses and interest expense, which increased by \$6.8 million and \$7.7 million, or 55.1% and 73.7% respectively. Both interest expense and provision for credit losses are directly affected by the growth in the Company's portfolio of Contracts held by consolidated affiliates.

Employee costs decreased slightly to \$9.4 million during the three months ended March 31, 2006, representing 16.6 % of total operating expenses, from \$10.5 million for the same period a year earlier, or 24.8% of total operating expenses. During the period ended March 31, 2006, the Company deferred \$946,000 of direct employee costs associated with the purchase of Contracts in the period, in accordance with Statement of Financial Accounting Standard No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases (SFAS 91). Historically, the Company has not deferred and amortized such costs as the Company's analyses indicated that the effect of such deferral and amortization would not have been material. However, due to continued increases in volumes of Contract purchases and refinements in the Company's methodology to measure direct costs associated with Contract purchases, the Company's estimate of direct costs has increased, resulting in the need to defer such costs and amortize them over the lives of the related Contracts as an adjustment to the yield in accordance with SFAS 91. The decrease as a percentage of total operating expenses reflects the higher total of operating expenses, primarily a result of the increased provision for credit losses and interest expense.

General and administrative expenses decreased slightly by \$27,000 or 0.5% and represented 9.1% of total operating expenses in the three-month period ending March 31, 2006, as compared to the prior year period when general and administrative expenses represented 12.2% of total operating expenses. The decrease as a percentage of total operating expenses reflects the higher operating expenses primarily a result of the provision for credit losses and interest expense.

Interest expense for the three-month period ended March 31, 2006 increased \$7.7 million, or 73.7%, to \$18.0 million, compared to \$10.4 million in the same period of the previous year. The increase is primarily the result of changes in the amount and composition of securitization trust debt carried on the Company's Consolidated Balance Sheet. Such debt increased as a result of the change in securitization structure implemented in the third quarter of 2003 (an increase of approximately \$8.9 million), partially offset by the decrease in the balance of the securitization trust debt acquired in the MFN Merger and the TFC Merger (resulting in a decrease of approximately \$309,000 in interest expense) and a decrease in interest expense on certain long term debt (a decrease of \$870,000).

Marketing expenses increased by \$737,000, or 26.3%, and represented 6.3% of total operating expenses. The increase is primarily due to the increase in Contracts purchased by the Company during the three months ended March 31, 2006 as compared to the prior year period. During the period ended March 31, 2006, the Company purchased 16,953 Contracts aggregating \$255.6 million, compared to 10,130 Contracts aggregating \$144.2 million in the same period of the prior year.

Occupancy expenses increased by \$121,000, or 15.5%, and represented 1.6% of total operating expenses.

Depreciation and amortization expenses decreased by \$14,000, or 6.8%, to \$193,000 from \$207,000.

Credit Experience

The Company's financial results are dependent on the performance of the Contracts in which it retains an ownership interest. The table below documents the delinquency, repossession and net credit loss experience of all Contracts that the Company was servicing (excluding Contracts from the SeaWest Third Party Portfolio) as of the respective dates shown. Credit experience for CPS, MFN (since the date of the MFN Merger), TFC (since the date of the TFC Merger) and SeaWest (since the date of the SeaWest Asset Acquisition) is shown on

a combined basis in the table below. The Company attributes the decrease in delinquencies and charge offs during the three-month period ended March 31, 2006 (compared to the 12-month period ended December 31, 2005) to normal seasonality of its business and also to the increase in the average servicing portfolio outstanding as of March 31, 2006 compared to December 31, 2005.

Delinquency Experience (1)
CPS, MFN, TFC and SeaWest Combined

	March 31, 2006		December 31, 2005	
	Number of Contracts	Amount	Number of Contracts	Amount
Delinquency Experience				
Gross servicing portfolio (1).....	103,828	\$ 1,238,460	95,942	\$ 1,117,085
Period of delinquency (2)	(Dollars in thousands)			
31-60 days.....	1,250	12,795	2,353	24,050
61-90 days.....	564	5,215	1,076	10,190
91+ days.....	575	4,065	1,056	7,985
Total delinquencies (2).....	2,389	22,075	4,485	42,225
Amount in repossession (3).....	1,090	11,782	1,337	13,538
Total delinquencies and amount in repossession (2).....	3,479	\$ 33,857	5,822	\$ 55,763
Delinquencies as a percentage of gross servicing portfolio.....	2.3 %	1.8 %	4.7 %	3.8 %
Total delinquencies and amount in repossession as a percentage of gross servicing portfolio.....	3.4 %	2.7 %	6.1 %	5.0 %

(1) All amounts and percentages are based on the amount remaining to be repaid on each Contract, including, for pre-computed Contracts, any unearned interest. The information in the table represents the gross principal amount of all Contracts purchased by the Company, including Contracts subsequently sold by the Company in securitization transactions that it continues to service. The table does not include Contracts from the SeaWest Third Party Portfolio.

(2) The Company considers a 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. Contracts less than 31 days delinquent are not included.

(3) Amount in repossession represents financed vehicles that have been repossessed but not yet liquidated.

Net Charge-Off Experience (1)
CPS, MFN, TFC and SeaWest Combined

	March 31, 2006	December 31, 2005
	(Dollars in thousands)	
Average servicing portfolio outstanding.....	\$ 1,176,879	\$ 966,295
Annualized net charge-offs as a percentage of average servicing portfolio (2).....	4.8 %	5.3 %

(1) All amounts and percentages are based on the principal amount scheduled to be paid on each Contract, net of unearned income on pre-computed Contracts. The information in the table represents all Contracts serviced by the Company (excluding Contracts from the SeaWest Third Party Portfolio).

(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. March 31, 2006 percentage represents three months ended March 31, 2006, annualized. December 31, 2005 represents 12 months ended December 31, 2005.

Liquidity and Capital Resources

The Company's business requires substantial cash to support its purchases of Contracts and other operating activities. The Company's primary sources of cash have been cash flows from operating activities, including proceeds from sales of Contracts, amounts borrowed under various revolving credit facilities (also sometimes known as warehouse credit facilities), servicing fees on portfolios of Contracts previously sold in securitization transactions or serviced for third parties, customer payments of principal and interest on finance receivables, and releases of cash from securitized pools of Contracts in which the Company has retained a residual ownership interest and from the Spread Accounts associated with such pools. The Company's primary uses of cash have been the purchases of Contracts, repayment of amounts borrowed under lines of credit and otherwise, operating expenses such as employee, interest, occupancy expenses and other general and administrative expenses, the establishment of Spread Accounts and initial overcollateralization, if any, and the increase of credit enhancement to required levels in securitization transactions, and income taxes. There can be no assurance that internally generated cash will be sufficient to meet the Company's cash demands. The sufficiency of internally generated cash will depend on the performance of securitized pools (which determines the level of releases from those pools and their related Spread Accounts), the rate of expansion or contraction in the Company's managed portfolio, and the terms upon which the Company is able to acquire, sell, and borrow against Contracts.

Net cash used in operating activities for the three-month period ended March 31, 2006 was \$33.5 million compared to net cash used in operating activities for the three-month period ended March 31, 2005 of \$9.2 million. Cash used in operating activities is affected by the increase in restricted cash as a result of the Company's pre-funding structure used in the securitization of the Company's finance receivables. The pre-funding structure allows the Company to issue securitization debt approximately one month prior to purchasing finance receivables that collateralize the debt. In those cases, certain of the proceeds of the securitization debt are held as restricted cash until such time as the additional collateral is delivered to the related trust. Increases in restricted cash are offset somewhat by the Company's increased net earnings before the significant increase in the provision for credit losses.

Net cash used in investing activities for the three-month periods ended March 31, 2006 and 2005 was \$153.9 million and \$79.8 million, respectively. Cash used in investing activities has generally related to purchases of Contracts.

Net cash provided by financing activities for the three months ended March 31, 2006 and 2005, was \$195.1 million and \$84.4 million respectively. Cash provided by financing activities is generally related to the issuance of new securitization trust debt. The Company issued \$280.9 million and \$135.9 million of such debt in the three-month periods ended March 31, 2006 and 2005 respectively. Cash used in financing activities includes the repayment of securitization trust debt of \$105.0 million and \$59.6 million for the three-month periods ended March 31, 2006 and 2005 respectively.

Contracts are purchased from Dealers for a cash price approximating their principal amount, adjusted for an acquisition fee that may either increase or decrease the Contract purchase price, and generate cash flow over a period of years. As a result, the Company has been dependent on warehouse credit facilities to purchase Contracts, and on the availability of cash from outside sources in order to finance its continuing operations, as well as to fund the portion of Contract purchase prices not financed under revolving warehouse credit facilities. As of March 31, 2006, the Company had \$350 million in warehouse credit capacity, in the form of separate \$200 million and \$150 million facilities. The first facility provides funding for Contracts purchased under the TFC Programs while both warehouse facilities provide funding for Contracts purchased under the CPS Programs.

The \$150 million warehouse facility is structured to allow CPS to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its consolidated subsidiary Page Three Funding, LLC. This facility was established on November 15, 2005, and expires on November 14, 2006, although it is renewable with the mutual agreement of the parties. Up to 80% of the principal balance of

Contracts may be advanced to the Company under this facility, subject to collateral tests and certain other conditions and covenants. Notes under this facility accrue interest at a rate of one-month LIBOR plus 2.00% per annum. At March 31, 2006, \$171,000 was outstanding under this facility.

The \$200 million warehouse facility is similarly structured to allow CPS to fund a portion of the purchase price of Contracts by drawing against a floating rate variable funding note issued by its consolidated subsidiary Page Funding LLC. This facility was entered into on June 30, 2004. On June 29, 2005 the facility was increased from \$100 million to \$125 million and further amended to provide for funding for Contracts purchased under the TFC Programs. It was increased again to \$200 million on August 31, 2005. Up to 80.0% of the principal balance of Contracts may be advanced to the Company under this facility, subject to collateral tests and certain other conditions and covenants. Notes under this facility accrue interest at a rate of one-month LIBOR plus 2.00% per annum. The lender has annual termination options at its sole discretion on each June 30 through 2007, at which time the agreement expires. At March 31, 2006, \$74.9 million was outstanding under this facility.

For the portfolio owned by consolidated subsidiaries, cash used to establish or increase Spread Accounts for the three-month periods ended March 31, 2006 and 2005 was \$6.1 million and \$3.2 million, respectively. Cash released from Trusts and their related Spread Accounts to the Company for the three-month periods ended March 31, 2006 and 2005, was \$3.9 million and \$8.0 million, respectively. Changes in the amount of credit enhancement required for term securitization transactions and releases from Trusts and their related Spread Accounts are affected by the relative size, seasoning and performance of the various pools of Contracts securitized that make up the Company's managed portfolio to which the respective Spread Accounts are related.

The acquisition of Contracts for subsequent sale in securitization transactions, and the need to fund Spread Accounts and initial overcollateralization, if any, and increase credit enhancement levels when those transactions take place, results in a continuing need for capital. The amount of capital required is most heavily dependent on the rate of the Company's Contract purchases, the advance rate on the warehouse facilities, the required level of initial credit enhancement in securitizations, and the extent to which the previously established Trusts and their related Spread Accounts either release cash to the Company or capture cash from collections on securitized Contracts. The Company is limited in its ability to purchase Contracts by its available cash and the capacity of its warehouse facilities. As of March 31, 2006, the Company had unrestricted cash on hand of \$25.5 million and available capacity from its warehouse credit facilities of \$274.9 million, subject to the availability of suitable Contracts to serve as collateral and of sufficient cash to fund the portion of such Contracts purchase price not advanced under the warehouse facilities. The Company's plans to manage its need for liquidity include the completion of additional term securitizations that may result in additional unrestricted cash through repayment of the warehouse facilities, and matching its levels of Contract purchases to its availability of cash. There can be no assurance that the Company will be able to complete term securitizations on favorable economic terms or that the Company will be able to complete term securitizations at all. If the Company is unable to complete such securitizations, interest income and other portfolio related income would decrease.

The Company's primary means of ensuring that its cash demands do not exceed its cash resources is to match its levels of Contract purchases to its availability of cash. The Company's ability to adjust the quantity of Contracts that it purchases and securitizes will be subject to general competitive conditions and the continued availability of warehouse credit facilities. There can be no assurance that the desired level of Contract acquisition can be maintained or increased. While the specific terms and mechanics of each Spread Account vary among transactions, the Company's Securitization Agreements generally provide that the Company will receive excess cash flows only if the amount of credit enhancement has reached specified levels and/or the delinquency, defaults or net losses related to the Contracts in the pool are below certain predetermined levels. In the event delinquencies, defaults or net losses on the Contracts exceed such levels, the terms of the securitization: (i) may require increased credit enhancement to be accumulated for the particular pool; (ii) may restrict the distribution to the Company of excess cash flows associated with other pools; or (iii) in certain circumstances, may permit the Note Insurers to require the transfer of servicing on some or all of the Contracts

to another servicer. There can be no assurance that collections from the related Trusts will continue to generate sufficient cash.

The terms of the various Securitization Agreements related to the issuance of the securitization trust debt and the warehouse credit facilities require that certain delinquency and credit loss criteria be met with respect to the collateral pool, and require that the Company maintain minimum levels of liquidity and net worth and not exceed maximum leverage levels and maximum financial losses. In addition, certain securitization and non-securitization related debt contain cross-default provisions, which would allow certain creditors to declare a default if a default were declared under a different facility. As of March 31, 2006, the Company was in compliance with all such financial covenants.

The Securitization Agreements of the Company's term securitization transactions are terminable by the Note Insurers in the event of certain defaults by the Company and under certain other circumstances. Similar termination rights are held by the lenders in the warehouse credit facilities. Were a Note Insurer (or the lenders in such warehouse facilities) in the future to exercise its option to terminate the Securitization Agreements, such a termination would have a material adverse effect on the Company's liquidity and results of operations. The Company continues to receive Servicer extensions on a monthly and/or quarterly basis, pursuant to the Securitization Agreements.

Critical Accounting Policies

(a) Allowance for Finance Credit Losses

In order to estimate an appropriate allowance for losses incurred on finance receivables held on the Company's Unaudited Condensed Consolidated Balance Sheet, the Company uses a loss allowance methodology commonly referred to as "static pooling," which stratifies its finance receivable portfolio into separately identified pools. Using analytical and formula-driven techniques, the Company estimates an allowance for finance credit losses, which management believes is adequate for probable credit losses that can be reasonably estimated in its portfolio of finance receivable Contracts. Provision for losses is charged to the Company's Unaudited Consolidated Statement of Operations. Net losses incurred on finance receivables are charged to the allowance. Management evaluates the adequacy of the allowance by examining current delinquencies, the characteristics of the portfolio and the value of the underlying collateral. As conditions change, the Company's level of provisioning and/or allowance may change as well.

(b) Treatment of Securitizations

Gain on sale may be recognized on the disposition of Contracts either outright or in securitization transactions. In those securitization transactions that were treated as sales for financial accounting purposes, the Company, or a wholly-owned, consolidated subsidiary of the Company, retained a residual interest in the Contracts that were sold to a wholly-owned, unconsolidated special purpose subsidiary. The Company's securitization transactions included "term" securitizations (the purchaser holds the Contracts for substantially their entire term) and "continuous" or "warehouse" securitizations (which financed the acquisition of the Contracts for future sale into term securitizations).

As of March 31, 2006 and December 31, 2005 the line item "Residual interest in securitizations" on the Company's Unaudited Consolidated Balance Sheet represents the residual interests in certain term securitizations that were accounted for as sales. Warehouse securitizations accounted for as secured financings are accordingly reflected in the line items "Finance receivables" and "Warehouse lines of credit" on the Company's Unaudited Condensed Consolidated Balance Sheet, and the term securitizations accounted for as secured financings are reflected in the line items "Finance receivables" and "Securitization trust debt." The "Residual interest in securitizations" represents the discounted sum of expected future releases from securitization trusts held by non-consolidated subsidiaries. Accordingly, the valuation of the residual is heavily dependent on estimates of future performance.

(c) Income taxes

The Company and its subsidiaries file consolidated federal income and combined state franchise tax returns. The Company utilizes the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the future tax consequences attributable to the differences between the financial statement values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has estimated a valuation allowance against that portion of the deferred tax asset whose utilization in future periods is not more than likely.

In determining the possible realization of deferred tax assets, future taxable income from the following sources are considered: (a) the reversal of taxable temporary differences; (b) future operations exclusive of reversing temporary differences; and (c) tax planning strategies that, if necessary, would be implemented to accelerate taxable income into periods in which net operating losses might otherwise expire.

(d) Stock-based compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment, revised 2004" ("SFAS 123R"), prospectively for all option awards granted, modified or settled on or after January 1, 2006, using the modified prospective method. Under this method, the Company recognizes compensation costs in the financial statements for all share-based payments granted subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

In December 2005, the Compensation Committee of the Board of Directors approved accelerated vesting of all the outstanding stock options issued by the Company. Options to purchase 2,113,998 shares of the Company's common stock, which would otherwise have vested from time to time through 2010, became immediately exercisable as a result of the acceleration of vesting. The decision to accelerate the vesting of the options was made primarily to reduce non-cash compensation expenses that would have been recorded in the Company's income statement in future periods upon the adoption of Financial Accounting Standards Board Statement No. 123R in January 2006.

For the three months ended March 31, 2006, the Company recorded no stock-based compensation costs. There were no option awards granted during the three-month period ended March 31, 2006, and there was no vesting of option awards for options granted prior to January 1, 2006, because all options outstanding as of December 31, 2005 were fully vested at that time. As of March 31, 2006, there are no unrecognized stock-based compensation costs to be recognized over future periods.

Prior to January 1, 2006, as was permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), the Company accounted for stock-based employee compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, whereby stock options are recorded at intrinsic value equal to the excess of the share price over the exercise price at the date of grant. The Company provided the pro forma net income (loss), pro forma earnings (loss) per share, and stock based compensation plan disclosure requirements set forth in SFAS No. 123.

Forward Looking Statements

This report on Form 10-Q includes certain "forward-looking statements," including, without limitation, the statements or implications to the effect that prepayments as a percentage of original balances will approximate 22.2% to 35.3% cumulatively over the lives of the related Contracts, that net credit losses as a percentage of original balances will approximate 12.3% to 20.0% cumulatively over the lives of the related Contracts. Other forward-looking statements may be identified by the use of words such as "anticipates," "expects," "plans,"

“estimates,” or words of like meaning. As to the specifically identified forward-looking statements, factors that could affect charge-offs and recovery rates include changes in the general economic climate, which could affect the willingness or ability of obligors to pay pursuant to the terms of Contracts, changes in laws respecting consumer finance, which could affect the ability of the Company to enforce rights under Contracts, and changes in the market for used vehicles, which could affect the levels of recoveries upon sale of repossessed vehicles. Factors that could affect the Company’s revenues in the current year include the levels of cash releases from existing pools of Contracts, which would affect the Company’s ability to purchase Contracts, the terms on which the Company is able to finance such purchases, the willingness of Dealers to sell Contracts to the Company on the terms that it offers, and the terms on which the Company is able to complete term securitizations once Contracts are acquired. Factors that could affect the Company’s expenses in the current year include competitive conditions in the market for qualified personnel, and interest rates (which affect the rates that the Company pays on Notes issued in its securitizations). The statements concerning the Company structuring future securitization transactions as secured financings and the effects of such structures on financial items and on the Company’s future profitability also are forward-looking statements. Any change to the structure of the Company’s securitization transaction could cause such forward-looking statements not to be accurate. Both the amount of the effect of the change in structure on the Company’s profitability and the duration of the period in which the Company’s profitability would be affected by the change in securitization structure are estimates. The accuracy of such estimates will be affected by the rate at which the Company purchases and sells Contracts, any changes in that rate, the credit performance of such Contracts, the financial terms of future securitizations, any changes in such terms over time, and other factors that generally affect the Company’s profitability.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company is subject to interest rate risk during the period between when Contracts are purchased from Dealers and when such Contracts become part of a term securitization. Specifically, the interest rates on the warehouse facilities are adjustable while the interest rates on the Contracts are fixed. Historically, the Company’s term securitization facilities have had fixed rates of interest. To mitigate some of this risk, the Company has in the past, and intends to continue to, structure certain of its securitization transactions to include pre-funding structures, whereby the amount of Notes issued exceeds the amount of Contracts initially sold to the Trusts. In pre-funding, the proceeds from the pre-funded portion are held in an escrow account until the Company sells the additional Contracts to the Trust in amounts up to the balance of the pre-funded escrow account. In pre-funded securitizations, the Company locks in the borrowing costs with respect to the Contracts it subsequently delivers to the Trust. However, the Company incurs an expense in pre-funded securitizations equal to the difference between the money market yields earned on the proceeds held in escrow prior to subsequent delivery of Contracts and the interest rate paid on the Notes outstanding, the amount as to which there can be no assurance.

There have been no material changes in market risks since December 31, 2005.

Item 4. Controls and Procedures

CPS maintains a system of internal controls and procedures designed to provide reasonable assurance as to the reliability of its published financial statements and other disclosures included in this report. As of the end of the period covered by this report, CPS evaluated the effectiveness of the design and operation of such disclosure controls and procedures. Based upon that evaluation, the principal executive officer (Charles E. Bradley, Jr.) and the principal financial officer (Jeffrey P. Fritz) concluded that the disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, material

information relating to CPS that is required to be included in its reports filed under the Securities Exchange Act of 1934. There have been no significant changes in our internal controls over financial reporting during our most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

The information provided under the caption “Legal Proceedings” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference. In addition, the reader should be aware of the following:

The Annual Report on Form 10-K disclosed that a purported class action filed in Alabama state court had been removed to federal bankruptcy court, that the bankruptcy court had remanded the matter to state court, and that the Company had appealed that ruling. The federal district court, in which the appeal was heard, has since ordered the bankruptcy court to decide whether the plaintiff has standing to pursue her claims, and, if standing is found, to reconsider its remand decision. It is possible that plaintiff may in turn appeal from the order of the District Court. Although CPS believes that it has one or more defenses to each of the claims made in this lawsuit, no discovery has yet been conducted and the case remains in its earliest stages. Accordingly, there can be no assurance as to its outcome.

The Company is routinely involved in various legal proceedings resulting from its consumer finance activities and practices, both continuing and discontinued. The Company believes that there are substantive legal defenses to such claims, and intends to defend them vigorously. There can be no assurance, however, as to the outcome.

Item 1A. *Risk Factors*

The Company reminds the reader that risk factors are set forth in Item 1A of the Company's report on Form 10-K, filed with the U.S. Securities and Exchange Commission on March 13, 2006.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

During the three months ended March 31, 2006, the Company purchased a total of 118,751 shares of its common stock, as described in the following table:

Issuer Purchases of Equity Securities

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
January 2006	58,776	\$ 5.86	58,776	\$ 4,677,366
February 2006	35,975	6.71	35,975	4,436,092
March 2006	24,000	7.12	24,000	4,265,296
	<u>118,751</u>	<u>\$ 6.37</u>	<u>118,751</u>	

(1) Each monthly period is the calendar month.

(2) The Company announced in August 2000 its intention to purchase up to \$5 million of its outstanding securities, inclusive of annual \$1 million sinking fund redemptions on its Rising Interest Redeemable Subordinated Securities due 2006. In October 2002, the July 2000 program having been exhausted, the Company’s board of directors authorized the purchase of up to an additional \$5 million of such securities. An additional \$5 million was later authorized by the Company’s board of directors in October 2004.

Item 6. Exhibits

The exhibits listed below are filed with this report. The Company disclaims any implication that the agreements filed as exhibits 10.5, 10.7 and 10.8 are other than agreements entered into in the ordinary course of its business.

- 4.11 Form of Indenture, dated as of September 1, 2005, respecting notes issued by CPS Auto Receivables Trust 2005-C.
- 4.12 Form of Indenture, dated as of December 1, 2005, respecting notes issued by CPS Auto Receivables Trust 2005-D.
- 4.13 Form of Indenture, dated as of March 1, 2006, respecting notes issued by CPS Auto Receivables Trust 2006-A.
- 4.14 Instruments defining the rights of holders of long-term debt of certain consolidated subsidiaries of the registrant are omitted pursuant to the exclusion set forth in subdivisions (b)(iv)(iii)(A) and (b)(v) of Item 601 of Regulation S-K (17 CFR 229.601). The registrant agrees to provide copies of such instruments to the United States Securities and Exchange Commission upon request.
- 10.5 Amended & Restated Sale and Servicing Agreement dated April 14, 2006, by and among Page Funding LLC ("PFLLC"), the registrant and Wells Fargo Bank, N.A. ("WFBNA")
- 10.7 Amended and Restated Indenture dated as of April 14, 2006, by and among PFLLC, UBS Real Estate Securities, Inc. ("UBSRES") and WFBNA.
- 10.8 Amended and Restated Note Purchase Agreement dated as of April 14, 2006, by and among PFLLC, UBSRES and WFBNA.
- 31.1 Rule 13a-14(a) Certification of the Chief Executive Officer of the registrant.
- 31.2 Rule 13a-14(a) Certification of the Chief Financial Officer of the registrant.
- 32 Section 1350 Certifications.*

* These Certifications shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. These Certifications shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registration statement specifically states that such Certifications are incorporated therein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSUMER PORTFOLIO SERVICES, INC.

(Registrant)

Date: May 12, 2006

/s/ CHARLES E. BRADLEY, JR.

Charles E. Bradley, Jr.

President and Chief Executive Officer

(Principal Executive Officer)

Date: May 12, 2006

/s/ JEFFREY P. FRITZ

Jeffrey P. Fritz

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION

I, Charles E. Bradley, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumer Portfolio Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2006

/s/ CHARLES E. BRADLEY, JR.

Chief Executive Officer

CERTIFICATION

I, Jeffrey P. Fritz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumer Portfolio Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2006

/s/ JEFFREY P. FRITZ

Chief Financial Officer

**Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of The Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report on Form 10-Q of Consumer Portfolio Services, Inc. (the "Company") for the quarterly period ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Charles E. Bradley, Jr., as Chief Executive Officer of the Company, and Jeffrey P. Fritz, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2006

/s/ CHARLES E. BRADLEY, JR.

Charles E. Bradley, Jr.
Chief Executive Officer

/s/ JEFFREY P. FRITZ

Jeffrey P. Fritz
Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.