CONSUMER PORTFOLIO SERVICES INC
Form POS AM
May 31, 2012

As filed with the Securities and Exchange Commission on May 31, 2012

Reg. No. 333-168976

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Post Effective Amendment No. 5 to FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CONSUMER PORTFOLIO SERVICES, INC.
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

33-0459135
(I.R.S. Employer Identification Number)

19500 Jamboree Road
Irvine, California 92612
(949) 753-6800
Fax (949) 753-6897
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Charles Bradley, Jr.
Chief Executive Officer
19500 Jamboree Road
Irvine, California 92612
(949) 753-6800
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:
Mark Creatura, Esq.
General Counsel.
19500 Jamboree Road
Irvine, California 92612
Telephone: (949) 753-6800
Fax: (949) 753-6897

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [x]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

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

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] Smaller reporting company [X]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Renewable Unsecured Subordinated Notes	$ 44,000,000	(1)	$ 44,000,000	$ 3,565.00 (2)

(1) The Renewable Unsecured Subordinated Notes will be issued in denominations selected by the purchasers in any amount equal to or exceeding $1,000.

(2) A registration fee in the amount of $3565.00 was paid concurrently with the initial filing of this registration statement on August 20, 2010.

$44,000,000
Consumer Portfolio Services, Inc.

Three and Six Month Renewable Unsecured Subordinated Notes

One, Two, Three, Four, Five and Ten Year Renewable Unsecured Subordinated Notes

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We are offering our renewable unsecured subordinated notes to new purchasers and existing noteholders. We are offering the notes for cash and as renewals of previously-issued or to-be-issued notes, up to a maximum of $44,000,000 in aggregate principal amount (inclusive of renewals). As of the date of this prospectus, we are offering the notes with maturities ranging from three months to ten years. However, depending on our capital needs, notes with certain terms may not always be offered. We will establish interest rates on the notes offered in this prospectus from time to time in interest rate supplements to this prospectus. Our filing such an interest rate supplement will not affect the interest rates applicable to any notes previously sold.

The notes are unsecured obligations and your right to payment is subordinated in right of payment to substantially all of our existing and future indebtedness, other than our issued and outstanding renewable unsecured subordinated notes, each of which is pari passu in right of payment with the notes offered hereby. As of December 31, 2011, we had approximately $855.5 million of debt outstanding that is senior to the notes, of which approximately $797.2 million was issued by our consolidated special purpose entities. Including accounts payable, accrued expenses and an additional approximately $34.4 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately $917.9 million of outstanding obligations senior to the notes. As of March 31, 2012, we had approximately $833.2 million of debt outstanding that is senior to the notes, of which approximately $779.6 million was issued by our consolidated special purpose entities. Including accounts payable, accrued expenses and an additional approximately $25.8 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately $885.0 million of outstanding obligations senior to the notes.

Upon maturity, your notes will be automatically renewed for the same term as your maturing notes. The interest rate will be what we are then offering to other investors with similar aggregate note portfolios for notes of the same term, as described on the next page or specified in the most recently filed interest rate supplement, unless we elect not to have your notes renewed or unless you notify us within 15 days after the maturity date for your notes that you want your notes repaid. If notes of the same term are not then being offered, the interest rate upon renewal will be the rate specified by us on or before maturity or, if no such rate is specified, the rate of the existing note. The interest rate on your renewed note may differ from the interest rate applicable to your note during the prior term. After giving you thirty days' advance notice, we may redeem all or a portion of your notes for their original principal amount plus accrued and unpaid interest. You also may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or total permanent disability, we are currently prohibited by contract from making any such repurchases. See "Description Of The Notes - Redemption or Repurchase Prior To Stated Maturity - Repurchase At Request of Holder."

We will market and sell the notes directly to the public. The notes will not be listed on any securities exchange or quoted on Nasdaq or any over-the-counter market. We do not intend to make a market in the notes and we do not anticipate that a market in the notes will develop. There will be significant restrictions on your ability to transfer or resell the notes. We have not requested a rating for the notes; however, third parties may independently rate them.

The notes are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or any other

governmental or private fund or entity. Investing in the notes involves risks, which are described in “Risk Factors” beginning on page 6 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	100.00%	100.00%
Selling agent commissions	none	none
Proceeds to CPS, before expenses	100.00%	100.00%

See “Plan of Distribution” for a description of anticipated expenses to be incurred in connection with our offering and selling the notes. There will be no underwriting discount. We are not required to sell any specific number or dollar amount of notes in order to accept subscriptions.

We are offering these notes to investors in the United States of America, other than in the states of Alabama, Alaska, Arizona, Delaware, Kentucky, Maryland, Massachusetts, Montana, Nebraska, Nevada, New Hampshire, New Jersey, North Dakota, Oregon, Rhode Island, Utah, Virginia, Washington, West Virginia and Wyoming.

The date of this Revised Prospectus is ___, 2012

We will issue the notes in book-entry or uncertificated form. Subject to certain limited exceptions, you will not receive a certificated security or a negotiable instrument that evidences your notes. We will deliver written confirmations to purchasers of the notes. Wells Fargo Bank, National Association, Minneapolis, Minnesota, will act as trustee for the notes.

TABLE OF CONTENTS

Caption	Page
PROSPECTUS SUMMARY	1
CPS	1
The Offering	2
INCORPORATION OF CERTAIN INFORMATION BY REFERENCE	5
WHERE YOU CAN FIND MORE INFORMATION	5
RISK FACTORS	6
Risk Relating to the Notes	6
Risk Relating to Our Business	10
Risk Relating to General Factors	18
RECENT DEVELOPMENTS	19
FORWARD-LOOKING STATEMENTS	20
RATIOS OF EARNINGS TO FIXED CHARGES	21
USE OF PROCEEDS	21
CAPITALIZATION	22
DESCRIPTION OF NOTES	23
MATERIAL FEDERAL INCOME TAX CONSEQUENCES	32
PLAN OF DISTRIBUTION	34
LEGAL MATTERS	35
EXPERTS	35
GLOSSARY	35

This prospectus dated _____, 2012 is included in an amendment to a registration statement we have filed with the U.S. Securities and Exchange Commission. We filed that amendment on May 31, 2012 to include in the registration statement our financial statements for the year ended December 31, 2011, to include in the prospectus that information and interim information as of March 31, 2012, and otherwise to update the information contained in the registration statement and previous prospectuses. We have prepared this _____, 2012 prospectus to include information regarding recent developments.

See “Recent Developments,” beginning on page 19.

PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and from our reports filed with the SEC, and may not contain all the information that may be important to you. You should read the entire prospectus and the other information that is incorporated by reference into this prospectus before making an investment decision. Certain industry terms that we use are defined in the glossary, which begins on page 36.

CPS

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

We were incorporated and began our operations in March 1991. From inception through December 31, 2011 we have purchased a total of approximately $9.1 billion of automobile contracts from dealers. In addition, we obtained a total of approximately $822.3 million of automobile contracts in mergers and acquisitions in 2002, 2003, 2004 and, most recently in September 2011. The September 2011 acquisition consisted of approximately $217.8 million of automobile contracts that we purchased from Fireside Bank of Pleasanton, California.. In 2004 and 2009, we were appointed as a third-party servicer for certain portfolios of automobile contracts originated and owned by entities not affiliated with us. From 2008 through 2010, our managed portfolio decreased each year due to our strategy of limiting contract purchases to conserve our liquidity in response to adverse economic conditions, as discussed further below. However, since October 2009, we have gradually increased contract purchases resulting in aggregate purchases of $284.2 million in 2011, compared to $113.0 million in 2010, and $8.6 million in 2009. Our total managed portfolio was $794.6 million at December 31, 2011, compared to $756.2 million at December 31, 2010, $1,194.7 million at December 31, 2009, $1,664.1 million at December 31, 2008 and $2,162.2 million at December 31, 2007.

We have incurred net losses every quarter from the quarter ended June 30, 2008 through the quarter ended September 30, 2011. Although we have since recorded positive earnings for the quarters ended December 31, 2011 and March 31, 2012, there can be no assurance as to future earnings. We have been adversely affected by the economic recession affecting the United States as a whole, by increased financing costs and decreased availability of capital to fund our purchases of automobile contracts, and by a decrease in the overall level of sales of automobiles and light trucks. We identify important factors that could cause actual results to differ, generally in the "Risk Factors" section of this prospectus, and more specifically under the caption "Forward-Looking Statements."

We purchase automobile contracts with the intention of placing them into securitizations. Securitizations are transactions in which we sell a specified pool of automobile contracts to a special purpose entity of ours, which in turn

issues asset-backed securities to fund the purchase of the pool of automobile contracts from us. Depending on the structure of the securitization, the transaction may be properly accounted for as a sale of the automobile contracts or as a secured financing. During 2011, we completed three securitizations of approximately $335.6 million in newly originated contracts, and in a transaction with closings in March and April of 2012 we subsequently securitized approximately $155.0 million of newly originated automobile contracts. These securitizations were all structured as secured financings and represented our first securitizations of new automobile contracts since 2008.

We are headquartered in Irvine, California, where most operational and administrative functions are centralized. All credit and underwriting functions are performed in our California headquarters, and we service our automobile contracts from our California headquarters and from three servicing branches in Virginia, Florida and Illinois. Our principal executive offices are located at 19500 Jamboree Road, Irvine, California 92612, and our telephone number is (949) 753-6800.

The Offering

Issuer	Consumer Portfolio Services, Inc.
Trustee	Wells Fargo Bank, National Association
Selling Agent	None
Paying Agent	Wells Fargo Bank, National Association
Securities Offered	Renewable Unsecured Subordinated Notes. The notes represent our unsecured promise to repay principal at maturity and to pay interest during the term or at maturity. By purchasing a note, you are lending money to us without any collateral security.
Method of Purchase	Prior to your purchase of notes, you will be required to complete a subscription agreement that will set forth the principal amount of your purchase, the term of the notes and certain other information regarding your ownership of the notes. The form of subscription agreement is filed as an exhibit to the registration statement of which this prospectus is a part. We will mail you written confirmation that your subscription has been accepted.
Denomination	You may choose the denomination of the notes you purchase in any principal amount of $1,000 or more, including odd amounts.
Offering Price	100% of the principal amount per note.
Rescission Right	You may rescind your investment within five business days of the postmark date of your purchase confirmation without incurring an early redemption penalty. In addition, if your subscription agreement is accepted at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective, you will be able to rescind your investment subject to the conditions set forth in this prospectus. See “Description of the Notes — Rescission Right” for additional information.
Maturity	You may generally choose maturities for your notes of 3 or 6 months or 1, 2, 3, 4, 5 or 10 years; however, depending on our capital requirements, we may not sell

	notes of all maturities at all times.
Interest Rate	The interest rate of the notes will be established at the time you purchase them, or at the time of renewal, based upon the rates we are offering in our latest interest rate supplement to this prospectus, and will remain fixed throughout each term. We may offer higher rates of interest to investors with larger aggregate note portfolios, as set forth in the then current interest rate supplement.
Interest Payment Dates	You may choose to receive interest payments monthly, quarterly, semiannually, annually or at maturity. If you choose to receive interest payments monthly, you may choose the day on which you will be paid. Subject to our approval, you may change the interest payment schedule or interest payment date once during each term of your notes.
Principal Payment	We will not pay principal over the term of the notes. We are obligated to pay the entire principal balance of the outstanding notes upon maturity.
Payment Method	Principal and interest payments will be made by direct deposit to the account you designate in your subscription documents.

Renewal or Redemption at Maturity	Upon maturity, the notes will be automatically renewed for the same term at the interest rate we are offering at that time to other investors with similar aggregate note portfolios for notes of the same maturity, unless we notify you prior to the maturity date that we intend to repay the notes. You may also notify us within 15 days after the maturity date that you want your notes repaid. This 15 day period will be automatically extended if you would otherwise be required to make the repayment election at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective. If notes with similar terms are not being offered at the time of renewal, the interest rate upon renewal will be (a) the rate specified by us on or before the maturity date or (b) if no such rate is specified, the rate of your existing notes. The interest rate being offered upon renewal may, however, differ from the interest rate applicable to your notes during the prior term. See “Description of the Notes — Renewal or Redemption on Maturity.”
Optional Redemption or Repurchase	After giving you 30 days’ prior notice, we may redeem some or all of your notes at a price equal to their original principal amount plus accrued but unpaid interest. You may request us to repurchase your notes prior to maturity; however, unless the request is due to your death or total permanent disability, we are currently prohibited by contract from making any such repurchases. See “Description of Notes — Redemption or Repurchase Prior To Stated Maturity- Repurchase At Request of Holder.”
Consolidation, Merger or Sale	Upon any consolidation, merger or sale of our company, we will either redeem all of the notes or our successor will be required to assume our obligations to pay principal and interest on the notes pursuant to the indenture for the notes. For a description of these provisions see “Description of the Notes - Consolidation, Merger or Sale.”
Ranking; No Security	The notes: • are unsecured;

• rank junior to our existing and future secured debt, including the debt of our special purpose entities;

• rank junior to our existing and future senior unsecured debt, including debt we may incur under our existing and future credit facilities; and

• rank pari passu to our issued and outstanding renewable unsecured subordinated notes.

As of March 31, 2012, we had approximately $833.2 million of debt outstanding that is senior to the notes, of which approximately $779.6 million was issued by our consolidated special purpose entities. Including accounts payable, accrued expenses and an additional approximately $25.8 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately $885.0 million of outstanding obligations senior to the notes. As of December 31, 2011, we had approximately $855.5 million of debt outstanding that is senior to the notes, of which approximately $797.2 million was issued by our consolidated special

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Limited Restrictive Covenants	The indenture governing the notes contains very limited restrictive covenants. One of these covenants prohibits us from paying dividends on our capital stock if there is an event of default with respect to the notes or if payment of the dividend would result in an event of default. We are not restricted from entering into qualified sales or financing transactions or incurring additional indebtedness. The covenants set forth in the indenture are more fully described under "Description of Notes — Restrictive Covenants." These covenants have significant exceptions. We do not plan to issue any debt that is subordinate to the notes.
Use of Proceeds	If all the notes are sold, we would expect to receive up to approximately $43.5 million of net proceeds from this offering after paying the estimated offering expenses. To the extent that we sell the notes in exchange for outstanding notes, our net proceeds will be correspondingly reduced. The exact amount of net proceeds also may vary considerably depending on how long the notes are offered and other factors. We intend to use the net proceeds to fund the purchase of automobile contracts and for other general corporate purposes, which may include the payment of general and administrative expenses. See "Use of Proceeds." There is no existing market for the notes.

Absence of Public Market and Restrictions on Transfers	We do not anticipate that a secondary market for the notes will develop. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system, including without limitation the OTC Bulletin Board or any over-the-counter market. You will be able to transfer or pledge the notes only with our prior written consent. See "Description of the Notes - Transfers."
Book Entry	The notes will be issued in book entry or uncertificated form only. Except under limited circumstances, the notes will not be evidenced by certificated securities or negotiable instruments. See "Description of the Notes — Book Entry Registration and Transfers."

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference into this prospectus is an important part of this prospectus. Specifically, we are incorporating by reference the documents listed below:

- Our Annual Report on Form 10-K for the year ended December 31, 2011;
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012;
- Our Current Reports on Form 8-K filed with the SEC on March 5, March 22, April 5, April 19, May 15 and May 24, 2012 (those reports originally filed April 5 and May 15 were amended on May 30, 2012; it is the amended reports that are incorporated by reference); and
- Our definitive proxy statement filed with the SEC April 20, 2012.

You should rely only on the information we include or incorporate by reference in this prospectus and any applicable prospectus supplement. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The information contained in this prospectus and any applicable prospectus supplement is accurate only as of the date on the front of those documents, regardless of the time of delivery of this prospectus or the applicable prospectus supplement or of any sale of our securities.

Any statement contained in this prospectus or in a document incorporated by reference in this prospectus is deemed to be modified or superseded for purposes of this prospectus to the extent that any of the following modifies or supersedes a statement in this prospectus or incorporated by reference in this prospectus:

- in the case of a statement in a previously filed document incorporated by reference in this prospectus, a statement contained in this prospectus;
- a statement contained in any accompanying prospectus supplement relating to our offering of the notes; or
- a statement contained in any other subsequently filed document that is also incorporated by reference in this prospectus.

Any modified or superseded statement will not be deemed to constitute a part of this prospectus or any accompanying prospectus supplement, except as modified or superseded. Except as provided by the above mentioned exceptions, all information appearing in this prospectus and each accompanying prospectus supplement is qualified in its entirety by the information appearing in the documents incorporated by reference.

We will provide without charge to each person to whom a copy of this prospectus is delivered, including any beneficial owner, upon his or her written or oral request, a copy of any or all of the documents incorporated in this prospectus by reference, other than exhibits to the documents, unless the exhibits are incorporated specifically by reference in the documents. We will provide those documents, including any exhibits that are incorporated by reference into those documents, without cost to the requester.

Requests for copies should be directed to:
Consumer Portfolio Services, Inc.

You may also obtain copies of any of such reports at
our website, free of charge, at

19500 Jamboree Road
Irvine, California 92612
Attention: Corporate Secretary
(949) 753-6800
notesinfo@consumerportfolio.com

http://www.consumerportfolio.com/investorinfo.htm.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings are also available to the public at the SEC's web site at http://www.sec.gov, and at our website at http://www.consumerportfolio.com/investorinfo.htm.

We have also filed a registration statement on Form S-1 under the Securities Act with the SEC with respect to the notes offered by this prospectus. This prospectus does not contain all of the information set forth in the registration

statement because parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. The registration statement is available for inspection and copying as set forth above.

RISK FACTORS

The risks described below set forth the material risks associated with the purchase of notes and our company. Before you invest in the notes, you should carefully consider these risk factors, as well as the other information regarding the notes and the company contained in this prospectus and in the documents incorporated by reference into this prospectus.

Risk Factors Relating to the Notes

Because of their characteristics, the notes may not be a suitable investment for you.

The notes may not be a suitable investment for you, and we advise you to consult your investment, tax and other professional financial advisors prior to purchasing notes. The characteristics of the notes, including maturity, interest rate and lack of liquidity, may not satisfy your investment objectives. The notes may not be a suitable investment for you based on your ability to withstand a loss of interest or principal or other aspects of your financial situation, including your income, net worth, financial needs, investment risk profile, return objectives, investment experience and other factors. Prior to purchasing any notes, you should consider your investment allocation with respect to the amount of your contemplated investment in the notes in relation to your other investment holdings and the diversity of those holdings.

Because the notes rank junior to substantially all of our existing and future debt and other financial obligations, your notes will lack priority in payment.

Your right to receive payments on the notes is junior to substantially all of our existing indebtedness and future borrowings (including debt of our special purpose entities). Your notes will be subordinated to the prior payment in full of all of our other debt obligations, other than our issued and outstanding renewable unsecured subordinated notes, and your notes will be pari passu in right of payment with our issued and outstanding renewable unsecured subordinated notes. As of March 31, 2012, we had approximately $833.2 million of debt outstanding that is senior to your notes, of which approximately $779.6 million was issued by our consolidated special purpose entities. Including accounts payable, accrued expenses and an additional approximately $25.8 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately $885.0 million of outstanding obligations senior to your notes. As of December 31, 2011, we had approximately $855.5 million of debt outstanding that is senior to your notes, of which approximately $797.2 million was issued by our consolidated special purpose entities. Including accounts payable, accrued expenses and an additional approximately $34.4 million of debt that does not appear on our consolidated financial statements (which was issued by our off-balance sheet special purpose entities), we had approximately $917.9 million of outstanding obligations senior to your notes. We may also incur substantial additional indebtedness in the future that would also rank senior to your notes. Because of the subordination provisions of the notes, in the event of our bankruptcy, liquidation or dissolution, our assets would be available to make payments to you under the notes only after all

payments had been made on all of our secured and unsecured indebtedness and other obligations that are senior to the notes. Sufficient assets may not remain after all such senior payments have been made to make any payments to you under the notes, including payments of interest when due or principal upon maturity.

Because there will be no trading market for the notes and because transfers of the notes require our consent, it may be difficult to sell your notes.

Your ability to liquidate your investment is limited because of transfer restrictions, the lack of a trading market and the limitation on repurchase requests prior to maturity. Your notes may not be transferred without our prior written consent. In addition, there will be no trading market for the notes. Due to the restrictions on transfer of the notes and the lack of a market for the sale of the notes, even if we permitted a transfer, you might be unable to sell, pledge or otherwise liquidate your investment. We are currently subject to contractual restrictions that prohibit us from repurchasing notes except in the case of death or total permanent disability of the related holder. In any event, the total principal amount of notes that we would be required to repurchase in any calendar quarter, for any reason, will be limited to the greater of $1 million or 2% of the aggregate principal amount of all notes outstanding at the end of the previous quarter. See “Description of the Notes.”

Because the notes will have no sinking fund, collateral security, insurance or guarantee, you may lose all or a part of your investment in the notes if we do not have enough cash to pay the notes.

There is no sinking fund, collateral security, insurance or guarantee of our obligation to make payments on the notes. The notes are not secured by any of our assets. We will not contribute funds to a separate account, commonly known as a sinking fund, to make interest or principal payments on the notes. The notes are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation, or any other governmental or private fund or entity. Therefore, if you invest in the notes, you will have to rely only on our cash flow from operations and other sources of funds for repayment of principal at maturity or redemption and for payment of interest when due. Our cash flow from operations could be impaired under the circumstances described under "—Risks Related to Our Business". If our cash flow from operations and other sources of funds are not sufficient to pay any amounts owed under the notes, then you may lose all or part of your investment.

The notes will automatically renew unless you request repayment.

Upon maturity, the notes will be automatically renewed for the same term as your maturing note and at an interest rate that we are offering at that time to other investors with similar aggregate note portfolios for notes of the same term, unless we notify you prior to the maturity date that we intend to repay the notes or you notify us within 15 days after the maturity date that you want your notes repaid. This 15 day period will be automatically extended if you would otherwise be required to make the repayment election at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the Securities and Exchange Commission, but such post-effective amendment has not yet been declared effective. If notes with the same term are not then being offered, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of the existing note if no such rate is specified. The interest rate on your renewed note may be lower than the interest rate of your original note. Any requests for repurchases after your notes are renewed will be subject to contractual restrictions that presently prohibit us from making any such repurchases and, in any event, to limitations on the amount of notes we would be willing to repurchase in any calendar quarter.

Because we have substantial indebtedness that is senior to the notes, our ability to pay the notes may be impaired.

	March 31, 2012	December 31, 2011
Warehouse lines of credit (1)	28,929	25,393
Subordinated renewable notes	20,741	20,750
Residual interest financing (1)	18,015	21,884
Securitization trust debt (1)	599,678	583,065
Debt secured by receivables measured at fair value (1)	133,017	166,828
Senior secured debt, related party	53,570	58,344
Total on balance sheet debt	853,950	876,264
Off-balance sheet securitization trust debt (1)(2)	25,803	34,431
Total on and off-balance sheet debt	879,753	910,695

We have now and, after we sell these notes, will continue to have a substantial amount of indebtedness. At March 31, 2012 and December 31, 2011, we had approximately $901.1 million and $792.0 million of debt outstanding,

respectively, comprising (in thousands):

(1) Debt obligations of our special purpose entities
(2) Debt obligations of our special purpose entities where the securitization transactions were structured as sales for accounting purposes

Our debt to net worth ratio at March 31, 2012 was negative 67.9 (including all debt issued by off-balance sheet special purpose entities our debt to net worth ratio was negative 69.9 and excluding all securitization trust debt and debt secured by receivables measured at fair value, our debt to net worth ratio was negative 9.6), and our ratio of earnings to fixed charges, including interest expense on the above-mentioned debt, was 1.02. Our debt to net worth ratio at December 31, 2011 was negative 61.7 (including all debt issued by off-balance sheet special purpose entities our debt to net worth

ratio was negative 64.1 and excluding all securitization trust debt, our debt to net worth ratio was negative 10.5), and our ratio of earnings to fixed charges, including interest expense on the above-mentioned debt, was 0.83.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes by, among other things:

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

Although we believe we will generate sufficient free cash flow to service this debt and our obligations under the notes, there is no assurance that we will be able to do so. If we do not generate sufficient operating profits, our ability to make required payments on our senior debt, as well as on the debt represented by the notes described in this prospectus, may be impaired.

If we incur substantially more indebtedness that is senior to your notes, our ability to pay the notes may be impaired.

Subject to limitations contained in our credit facilities and in the indenture, we may incur substantial additional indebtedness in the future. The indenture for the notes does not prohibit us from incurring additional indebtedness. Any such borrowings would be senior to the notes. If we borrow more money, the risks to noteholders described in this prospectus could intensify.

Our management has broad discretion over the use of proceeds from the offering.

We expect to use the proceeds from the offering to fund the purchase of automobile contracts and for other general corporate purposes, which may include the payment of general and administrative expenses. Because no specific allocation of the proceeds is required in the indenture, our management will have broad discretion in determining how the proceeds of the offering will be used. See “Use of Proceeds.”

Because we are subject to many restrictions in our existing credit facilities, our ability to pay the notes may be impaired.

The terms of our existing credit facilities and our securitization trust debt impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests. The indenture for the notes also imposes certain limited restrictions on our ability and that of our subsidiaries to take certain actions. Such terms and restrictions may be amended or supplemented from time to time without requiring any notice to or consent of the holders of the notes or the trustee. These restrictions may have an adverse impact on our business activities, results of operations and financial condition. These restrictions may also significantly limit or prohibit us from engaging in certain transactions, including the following:

- incurring or guaranteeing additional indebtedness;
- making capital expenditures in excess of agreed upon amounts;
- paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock or subordinated obligations;
- making investments;
- creating or permitting liens on our assets or the assets of our subsidiaries;
- issuing or selling capital stock of our subsidiaries;
- transferring or selling our assets;
- engaging in mergers or consolidations;
- permitting a change of control of our company;
- liquidating, winding up or dissolving our company;

- changing our name or the nature of our business, or the names or nature of the business of our subsidiaries; and

- engaging in transactions with our affiliates outside the normal course of business.

These restrictions may limit our ability to obtain additional sources of capital, which may limit our ability to repay the notes. In addition, the failure to comply with any of the covenants of our existing credit facilities or the indenture or to maintain certain indebtedness ratios would cause a default under one or more of our credit facilities and may cause a default under the indenture or our other debt agreements that may be outstanding from time to time. A default, if not waived, could result in acceleration of the related indebtedness, in which case such debt would become immediately due and payable. A continuing default or acceleration of one or more of our credit facilities, the indenture or any other debt agreement, will likely cause a default under the indenture and other debt agreements that otherwise would not be in default, in which case all such related indebtedness could be accelerated. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance our indebtedness. Even if any new financing is available, it may not be on terms that are acceptable to us or it may not be sufficient to refinance all of our indebtedness as it becomes due. Complying with these covenants may cause us to take actions that are not favorable to holders of the notes. See "Description of the Notes – Restrictive Covenants."

Because there are limited restrictions on our activities under the indenture, you will have only limited protections under the indenture.

In comparison to the restrictive covenants that are imposed on us by our existing credit facilities and other borrowing arrangements, the indenture governing the notes contains relatively minimal restrictions on our activities. In addition, the indenture contains only limited events of default other than our failure to timely pay principal and interest on the notes. Because there are only very limited restrictions and limited events of default under the indenture, we will not be restricted from issuing additional debt senior to your notes or be required to maintain any ratios of assets to debt in order to increase the likelihood of timely payments to you under the notes. Further, if we default in the payment of the notes or otherwise under the indenture, you will likely have to rely on the trustee to exercise your remedies on your behalf. You may not be able to seek remedies against us directly. See "Description of the Notes – Events of Default."

If we fail to maintain a positive net worth, a majority of the holders of our previously issued renewable notes will have the right to declare an event of default.

Unlike the indenture for our renewable unsecured subordinated notes issued prior to August 1, 2010, the indenture for the notes offered hereby does not contain any financial covenants relating to our net worth. Accordingly, we will not be required to maintain a positive net worth. However, if we fail to maintain a positive net worth, a majority of the holders of our renewable unsecured subordinated notes that were issued prior to August 1, 2010 will have the right to declare an event of default under the related indenture and accelerate the maturity of their notes. Any such acceleration may have a material and adverse effect on our liquidity, which could impair our ability to make payments on the notes offered hereby. As of March 31, 2012, an aggregated principal amount of $3.0 million of such notes were outstanding, and the holders of a majority thereof have the right to declare such a default. We do not anticipate any such declaration, as the notes in question remain current, paying interest as agreed.

Because we may redeem the notes at any time prior to their maturity, you may be subject to reinvestment risk.

We have the right to redeem any note at any time prior to its stated maturity upon 30 days written notice to you. The notes would be redeemed at 100% of the principal amount plus accrued but unpaid interest up to but not including the redemption date. Any such redemption may have the effect of reducing the income or return on investment that any investor may receive on an investment in the notes by reducing the term of the investment. If this occurs, you may not be able to reinvest the proceeds at an interest rate comparable to the rate paid on the notes. See "Description of the Notes – Redemption or Repurchase Prior To Stated Maturity."

Under certain circumstances, you may be required to pay taxes on accrued interest on the notes prior to receiving a sufficient amount of cash interest payments.

If you choose to have interest on your note paid at maturity and the term of your note exceeds one year, you may be required to pay taxes on the accrued interest prior to our making any interest payments to you. You should consult your tax advisor to determine your tax obligations.

Our Directors, Officers And Other Creditors Have Interests That May Conflict With Yours

Our officers, directors and certain of our creditors collectively have beneficial ownership of significant amounts of our common stock. Through that ownership and as officers and directors, such persons are able to influence or determine the management and policies of the corporation. The interests of such persons, in their capacities as creditors, shareholders, or both, may differ significantly from the interest of other investors. In particular, the interests of senior secured creditors may conflict with the interests of holders of the notes, as senior creditors may be entitled to receive repayment of our indebtedness to them regardless of whether we generate sufficient cash to repay the notes. Conversely, the interests of our shareholders may conflict with the interests of holders of the notes, as shareholders' entitlement to distributions is subordinate to the rights of holders of the notes. These conflicts are mitigated, though not eliminated, by the fact that any creditor that also owns shares of our common stock stands on both sides with respect to the holders of the notes: such a creditor holds both interests that are senior to, and interests that are subordinate to, the interests of holders of the notes. Also, as officers and directors, such persons are subject to the fiduciary duties imposed by generally applicable corporation law.

Risk Factors Relating to CPS

We remind you that there are substantial risk factors relating to our business generally, in addition to those described above relating specifically to the Notes.

Our business, operating results and financial condition could be adversely affected by any of the following specific risks. In addition to the risks described below, we may encounter risks that are not currently known to us or that we currently deem immaterial, which may also impair our business operations.

Risks Related to Our Business

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

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

- the economic and competitive conditions in the asset-backed securities market;
- the performance of our current and future automobile contracts;
- the performance of our residual interests from our securitizations and warehouse credit facilities;

- any operating difficulties or pricing pressures we may experience;
- our ability to obtain credit enhancement for our securitizations;
- our ability to establish and maintain dealer relationships;
- the passage of laws or regulations that affect us adversely;
- our ability to compete with our competitors; and
- our ability to acquire and finance automobile contracts.

Depending upon the outcome of one or more of these factors, we may not be able to generate sufficient cash flow from operations or obtain sufficient funding to satisfy all of our obligations. We presently find that funding in the asset-backed securities market is difficult to secure, that the credit performance of our automobile contracts has been adversely affected by general economic conditions, and that adverse effects on performance of our automobile contracts held in securitization pools result in an adverse effect on performance of residual interests. Such factors may result in our being unable to pay our debts timely or as agreed. If we were unable to pay our debts, we would be required to pursue one or more alternative strategies, such as selling assets, refinancing or restructuring our indebtedness or selling additional equity capital. These alternative strategies might not be feasible at the time, might prove inadequate or could require the prior consent of our lenders.

We Need Substantial Liquidity to Operate Our Business.

We have historically funded our operations principally through internally generated cash flows, sales of debt and equity securities, including through securitizations and warehouse credit facilities, borrowings under senior subordinated

debt agreements and sales of subordinated notes. However, we may not be able to obtain sufficient funding for our future operations from such sources. As of the date of this report, our access to the capital markets is impaired with respect to long-term debt, and the terms on which we are able to access short-term debt are inferior to those available to us in years immediately prior to the commencement of the current recession. As a consequence, our results of operations, financial condition and cash flows have been and may continue to be materially and adversely affected. We require a substantial amount of cash liquidity to operate our business. Among other things, we use such cash liquidity to:

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

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

History of Losses

We have incurred net losses every quarter subsequent to the quarter ended June 30, 2008 and through the quarter ended September 30, 2011. We recorded a profit for the quarters ended December 31, 2011 and March 31, 2012. We have been adversely affected by the economic recession affecting the United States as a whole, by increased financing costs and decreased availability of capital to fund our purchases of automobile contracts, and by a decrease in the overall level of sales of automobiles and light trucks.

For the year ended December 31, 2011, our pretax loss was $14.5 million, compared to a pretax loss of $16.2 million for the year 2010. Our net loss for 2011 was $14.5 million, or $0.76 per diluted share, compared to a net loss of $33.2 million, or $1.90 per diluted share, for 2010. Net loss for 2010 includes an income tax expense of $17.0 million, or $0.97 per diluted share, related to additions to the valuation allowance against our deferred tax asset.

Our pretax income for the first quarter of 2012 was $512,000, compared to a pretax loss of $4.0 million in the first quarter of 2011. Our net income for the first quarter of 2012 was also $512,000, or $0.02 per diluted share, compared to a net loss of $4.2 million, or $0.23 per diluted share, for the year-earlier quarter.

We Have a Negative Book Value

As of March 31, 2012, we had a negative book value of $12,578,000, as compared to a negative book value of $14,207,000 at December 31, 2011. The recorded value of all of our assets at March 31, 2012 is exceeded by the recorded value of all our liabilities (including the $20.7 million of outstanding Notes). If we were unable successfully to manage our liquidity, including the use of the strategies described in the reports that are incorporated by reference into this prospectus, then our negative book value could impair our ability to repay the Notes.

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

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

Historically, our primary sources of day-to-day liquidity were our warehouse credit facilities, in which we sold and contributed automobile contracts, as often as twice a week, to special-purpose subsidiaries, where they were "warehoused" until they were securitized, at which time funds advanced under one or more warehouse credit facilities were repaid from the proceeds of the securitizations. The special-purpose subsidiaries obtained the funds to purchase these automobile contracts by pledging the automobile contracts to a trustee for the benefit of senior warehouse lenders, who advanced funds to our special-purpose subsidiaries based on the dollar amount of the automobile contracts pledged. Through November 2008, we depended substantially on two warehouse credit facilities: (i) a $200 million warehouse credit facility, which we established in November 2005 and expired by its terms

in November 2008; and (ii) a $200 million warehouse credit facility, which we established in June 2004 and which was amended in December 2008 to eliminate future advances and to provide for repayment of the related debt from the cash collections on the related pledged automobile contracts, and certain other principal reductions until it From November 2008 through September 2009 we had no warehouse credit facilities available to us. In September 2009 we established a $50 million two-year multiple-draw credit facility, which, like a warehouse facility, allowed us advances against new purchases of automobile contracts. We repaid all amounts outstanding under this facility in September 2011. In March 2010 we entered into a second $50 million delayed draw credit facility, which likewise allowed us advances against new purchases (though December 2010) of automobile contracts. Subsequently, we increased our short-term contract financing resources by entering into a $100 million credit facility in December 2010 and another $100 million credit facility in February 2011. The December 2010 facility remains available to us through December 2012, and the February 2011 facility is available, for up to $35 million of borrowings, through May 2012. These facilities have provided us the liquidity to increase gradually our automobile contract purchases from dealers.

As stated elsewhere in this prospectus, from the fourth quarter of 2007 through the end of 2009, we observed adverse changes in the market for securitized pools of automobile contracts. Although we have seen improvements in the capital markets in 2010 and thereafter, as compared to 2008 and 2009, if the trend of improvement in the markets for asset-backed securities should reverse, we might then be unable to maintain warehouse financing facilities or to complete term securitizations of receivables held in warehouse financing facilities. If we are unable to maintain warehouse financing on acceptable terms, we might curtail or cease our purchases of new automobile contracts, which could lead to a material adverse effect on our results of operations, financial condition and cash flows.

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

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

- market conditions;
- the approval by all parties of the terms of the securitization;
- the availability of credit enhancement on acceptable terms; and
- our ability to acquire a sufficient number of automobile contracts for securitization.

As stated elsewhere in this prospectus, from the fourth quarter of 2007 through the end of 2009, we observed adverse changes in the market for securitized pools of automobile contracts, which made permanent financing in the form of securitization transactions difficult to obtain and more costly than in prior periods. These changes included reduced liquidity and reduced demand for asset-backed securities, particularly for securities carrying a financial guaranty or for securities backed by sub-prime automobile receivables. Although we have seen improvements in the capital markets in 2010 and 2011 as compared to 2008 and 2009, if the trend of improvement in the markets for asset-backed securities should reverse, we could expect a material adverse effect on our results of operations.

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

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

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

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

- may require increased credit enhancement, including an increase in the amount required to be on deposit in the spread account to be accumulated for the particular pool;

- may restrict the distribution to us of excess spread cash flows associated with other securitized or warehoused pools; and

- in certain circumstances, may permit affected parties to require the transfer of servicing on some or all of the securitized or warehoused automobile contracts from us to an unaffiliated servicer.

We typically retain residual interests or use them as collateral to borrow cash. In any case, the future excess spread cash flow received in respect of the residual interests is integral to the financing of our operations. The amount of cash received from residual interests depends in large part on how well our portfolio of securitized and warehoused automobile contracts performs. If our portfolio of securitized and warehoused automobile contracts has higher delinquency and loss ratios than expected, then the amount of money realized from our retained residual interests, or the amount of money we could obtain from the sale or other financing of our residual interests, would be reduced. Such higher than expected losses have been incurred, which has had an adverse effect on our operations, financial condition and cash flows. Should losses continue to rise, we would expect further material adverse effects on our results of operations, financial condition and cash flows.

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

In our securitizations, we historically have utilized credit enhancement in the form of one or more financial guaranty insurance policies issued by financial guaranty insurance companies. Each of these policies unconditionally and irrevocably guarantees certain interest and principal payments on the senior classes of the securities issued in our securitizations. These guarantees enabled these securities to achieve the highest credit rating available. This form of credit enhancement reduced the costs of our securitizations relative to alternative forms of credit enhancement available to us at the time. Such financial guaranty insurance policies are not at present available to us. Due to significantly reduced investor demand for securities carrying such a financial guaranty, it is likely that this form of credit enhancement, even if it were again to become available to us, may not be economic for us in the future. As we pursue future securitizations, we may not be able to obtain:

- credit enhancement in any form on terms acceptable to us, or at all; or

- similar ratings for senior classes of securities to be issued in future securitizations.

Based on indications from market participants as to reduced investor comfort with credit ratings and financial guarantees, we believe that even if we were unable to obtain such enhancements or such ratings, we would expect to incur increased interest expense. Such increased interest expense would adversely affect our results of operations.

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

The automobile financing business is highly competitive. We compete with a number of national, regional and local finance companies. In addition, competitors or potential competitors include other types of financial services companies, such as commercial banks, savings and loan associations, leasing companies, credit unions providing retail loan financing and lease financing for new and used vehicles and captive finance companies affiliated with major automobile manufacturers such as Ford Motor Credit Corporation. Many of our competitors and potential competitors possess substantially greater financial, marketing, technical, personnel and other resources than we do,

including greater access to capital markets for unsecured commercial paper and investment grade rated debt instruments, and to other funding sources which may be unavailable to us. Moreover, our future profitability will be directly related to the availability and cost of our capital relative to that of our competitors. Many of these companies also have long-standing relationships with automobile dealers and may provide other financing to dealers, including floor plan financing for the dealers' purchases of automobiles from manufacturers, which we do not offer. There can be no assurance that we will be able to continue to compete successfully and, as a result, we may not be able to purchase automobile contracts from dealers at a price acceptable to us, which could result in reductions in our revenues or the cash flows available to us.

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

We are dependent upon establishing and maintaining relationships with a large number of unaffiliated automobile dealers to supply us with automobile contracts. During the years ended December 31, 2010, and 2011, respectively, no single dealer accounted for more than 2.0% or 1.3%, respectively of the automobile contracts we purchased. The agreements we have with dealers to purchase automobile contracts do not require dealers to submit a minimum number of automobile contracts for purchase. The failure of dealers to submit automobile contracts that meet our underwriting criteria could result in reductions in our revenues or the cash flows available to us, and, therefore, could have an adverse effect on our results of operations.

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

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

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

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