CONSUMER PORTFOLIO SERVICES INC
Form 10-Q
August 15, 2011
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 June 30, 2011

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.)
19500 Jamboree Road, Irvine, California (Address of principal executive offices)	92612 (Zip Code)

Registrant's telephone number, including Area Code: (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 [X] No [ ]

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

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 definition of "accelerated filer", "large 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]

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

As of August 3, 2011 the registrant had 19,814,761 common shares outstanding.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
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For the Quarterly Period Ended June 30, 2011

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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)

	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$16,468	$16,252
Restricted cash and equivalents	128,385	123,958
Finance receivables	496,980	565,621
Less: Allowance for finance credit losses	(10,284)	(13,168)
Finance receivables, net	486,696	552,453
Residual interest in securitizations	4,048	3,841
Furniture and equipment, net	960	1,143
Deferred financing costs	7,030	5,685
Deferred tax assets, net	15,000	15,000
Accrued interest receivable	5,364	6,165
Other assets	16,580	17,893
	$680,531	$742,390
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$23,359	$22,033
Warehouse lines of credit	43,847	45,564
Residual interest financing	30,461	39,440
Securitization trust debt	516,255	567,722
Senior secured debt, related party	53,358	44,873
Subordinated renewable notes	20,738	20,337
	688,018	739,969
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; none issued	-	-
Series B convertible preferred stock, $1 par value; authorized 1,870 shares; None and 1,870 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	-	1,601
Common stock, no par value; authorized 75,000,000 shares; 19,921,518 and 18,122,810 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	62,194	59,852
Accumulated deficit	(64,327)	(53,678)
Accumulated other comprehensive loss	(5,354)	(5,354)
	(7,487)	2,421
	$680,531	$742,390

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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Interest income	$27,812	$35,178	$56,396	$74,147
Servicing fees	1,130	1,963	2,545	4,351
Other income	2,212	1,387	4,608	4,619
	31,154	38,528	63,549	83,117
Expenses:				
Employee costs	7,461	8,697	15,085	17,475
General and administrative	3,772	5,579	7,411	11,454
Interest	19,241	18,775	38,367	43,242
Provision for credit losses	4,360	6,990	8,052	18,706
Marketing	1,839	726	3,434	1,505
Occupancy	762	760	1,523	1,540
Depreciation and amortization	162	170	326	299
	37,597	41,697	74,198	94,221
Loss before income tax expense	(6,443)	(3,169)	(10,649)	(11,104)
Income tax expense	-	3,600	-	3,600
Net loss	$(6,443)	$(6,769)	$(10,649)	$(14,704)
Loss per share:				
Basic	$(0.35)	$(0.39)	$(0.58)	$(0.83)
Diluted	(0.35)	(0.39)	(0.58)	(0.83)
Number of shares used in computing loss per share:				
Basic	18,421	17,450	18,272	17,642
Diluted	18,421	17,450	18,272	17,642

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CONSUMER PORTFOLIO SERVICES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities:		
Net income (loss)	$ (10,649)	$ (14,704)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred acquisition fees	(4,308)	(2,714)
Amortization of discount on securitization notes	1,764	3,228
Amortization of discount on senior secured debt, related party	1,340	555
Depreciation and amortization	326	299
Amortization of deferred financing costs	1,398	2,394
Provision for credit losses	8,052	18,706
Stock-based compensation expense	824	818
Interest income on residual assets	(207)	(523)
Changes in assets and liabilities:		
Accrued interest receivable	801	1,509
Tax assets	-	3,600
Other assets	614	14,829
Accounts payable and accrued expenses	1,326	2,248
Net cash provided by operating activities	1,281	30,245
Cash flows from investing activities:		
Purchases of finance receivables held for investment	(110,850)	(44,137)
Proceeds received on finance receivables held for investment	172,863	200,650
Change in repo inventory	699	-
Decreases (Increases) in restricted cash and equivalents	(4,427)	7,804
Purchase of furniture and equipment	(143)	(283)
Net cash provided by investing activities	58,142	164,034
Cash flows from financing activities:		
Proceeds from issuance of securitization trust debt	109,365	16,561
Proceeds from issuance of subordinated renewable notes	1,976	1,710
Proceeds from issuance of senior secured debt, related party	7,545	-
Payments on subordinated renewable notes	(1,575)	(1,555)
Net proceeds from (repayments to) warehouse lines of credit	(1,717)	24,516
Proceeds from (repayments of) residual interest financing debt	(8,979)	(8,165)
Repayment of securitization trust debt	(162,596)	(222,801)
Repayment of senior secured debt, related party	(400)	-
Payment of financing costs	(2,743)	(1,448)
Repurchase of common stock	(85)	(2,088)
Exercise of options and warrants	2	-
Net cash used in financing activities	(59,207)	(193,270)

Increase (decrease) in cash and cash equivalents		216		1,009	
Cash and cash equivalents at beginning of period		16,252		12,433	
Cash and cash equivalents at end of period	$	16,468	$	13,442	
Supplemental disclosure of cash flow information:					
Cash paid (received) during the period for:					
Interest	$	32,936	$	38,995	
Income taxes	$	145	$	(7,700	)
Non-cash financing activities:					
Warrants issued in connection with new term funding facility	$	-	$	770	

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

We were formed in California on March 8, 1991. We specialize in purchasing and servicing retail automobile installment sale contracts ("automobile 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 our purchases, we provide indirect financing to dealer customers for borrowers with limited credit histories, low incomes or past credit problems ("sub-prime customers"). We serve as an alternative source of financing for dealers, allowing sales to customers who otherwise might not be able to obtain financing. 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) lent money directly to consumers for an immaterial amount of vehicle purchase money loans. In this report, we refer to all of such contracts and loans as "automobile contracts."

Basis of Presentation

Our Unaudited Condensed Consolidated Financial Statements 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 8 of Regulation S-X of the Securities and Exchange Commission, and include all adjustments that are, in our opinion, 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 six-month period ended June 30, 2011 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 our Annual Report on Form 10-K for the year ended December 31, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of income and expenses during the reported periods. Specifically, a number of estimates were made in connection with determining an appropriate allowance for finance credit losses, valuing residual interest in securitizations, accreting net acquisition fees, amortizing deferred costs, valuing warrants issued, and the recording of deferred tax assets and reserves for uncertain tax positions. These are material estimates that could be susceptible to changes in the near term and, accordingly, actual results could differ from those estimates.

Other Income

The following table presents the primary components of Other Income:

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

	June 30, 2011	June 30, 2010
	(In thousands)	
Direct mail revenues	$ 2,355	$ 480
Convenience fee revenue	1,390	1,662
Recoveries on previously charged-off contracts	349	687
Sales tax refunds	247	1,259
Other	267	531
Other income for the period	$ 4,608	$ 4,619

Stock-based Compensation

We recognize 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 ASC 718 "Accounting for Stock Based Compensation".

For the six months ended June 30, 2011 and 2010, we recorded stock-based compensation costs in the amount of $824,000 and $818,000, respectively. As of June 30, 2011, unrecognized stock-based compensation costs to be recognized over future periods equaled $2.4 million. This amount will be recognized as expense over a weighted-average period of 2.9 years.

The following represents stock option activity for the three months ended June 30, 2011:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Options outstanding at the beginning of period	6,990	$ 1.61	N/A
Granted	556	1.03	N/A
Exercised	(3)	0.77	N/A
Forfeited	(346)	1.48	N/A
Options outstanding at the end of period	7,197	$ 1.57	5.69 years
Options exercisable at the end of period	4,911	$ 1.75	4.49 years

At June 30, 2011, the aggregate intrinsic value of options outstanding and exercisable was $599,000 and $253,000, respectively. There were 3,000 shares exercised for the six months ended June 30, 2011 compared to none for the comparable period in 2010. There were 1.8 million shares available for future stock option grants under existing plans as of June 30, 2011.

Purchases of Company Stock

During the six-month periods ended June 30, 2011 and 2010, we purchased 74,292 and 670,129 shares, respectively, of our common stock, at average prices of $1.15 and $1.65, respectively.

New Accounting Pronouncements

In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310) – A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring, which is an accounting standard updated to amend previous guidance with respect to troubled debt restructurings. This updated guidance is designed to assist creditors with determining whether or not a restructuring constitutes a troubled debt restructuring. In particular, additional guidance has been added to help creditors determine whether a concession has been granted and whether a debtor is experiencing financial difficulties. Both of these conditions are required to be met for a restructuring to constitute a troubled debt restructuring. The amendments in the update are effective for us in the quarterly period ending June 30, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The provisions of this update are not expected to have a material impact on the Company's financial position, results or operations or cash flows.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or total shareholders' equity.

Uncertainty of Capital Markets and General Economic Conditions

Historically, we have depended upon the availability of warehouse credit facilities and access to long-term financing through the issuance of asset-backed securities collateralized by our automobile contracts. Since 1994 and through June 30, 2011, we had completed 51 term securitizations of approximately $6.8 billion in contracts. We conducted four term securitizations in 2006, four in 2007, two in 2008, one in 2010 and one in 2011. From July 2003 through April 2008 all of our securitizations were structured as secured financings. The second of our two securitization transactions in 2008 (completed in September 2008) and our securitization in September 2010 (a re-securitization of the remaining receivables from the September 2008 transaction) were each in substance a sale of the related contracts, and have been treated as sales for financial accounting purposes. On April 27, 2011 we completed our second rated term securitization since April 2008. In this transaction, we issued $100.4 million of notes collateralized by $104.5 million of contracts purchased primarily in 2010 and 2011. A portion of the proceeds from the sale of these notes were used to repay $77.9 million of the outstanding balance on our warehouse credit facilities. No gain or loss was recognized as a result of the securitization which was structured as a secured financing.

Since the fourth quarter of 2007 and through the end of 2009, we observed unprecedented adverse changes in the market for securitized pools of automobile contracts. These changes included reduced liquidity, and reduced demand for asset-backed securities, particularly for securities carrying a financial guaranty and for securities backed by sub-prime automobile receivables. Moreover, many of the firms that previously provided financial guarantees, which were an integral part of our securitizations, suspended offering such guarantees. The adverse changes that took place in the market from the fourth quarter of 2007 through the end of 2009 caused us to conserve liquidity by significantly reducing our purchases of automobile contracts. However, since October 2009, we have gradually increased our contract purchases by utilizing one $50 million credit facility that we established in September 2009 and another $50 million term funding facility that we established in March 2010. In September 2010 we took advantage of improvement in the market for asset-backed securities by re-securitizing the remaining underlying receivables from our unrated September 2008 securitization. By doing so we were able to pay off the bonds associated with the September 2008 transaction and issue rated bonds with a significantly lower weighted average coupon. The September 2010 transaction was our first rated term securitization since 1993 that did not utilize a financial guaranty. More recently, we increased our short-term funding capacity by $200 million with the establishment of a new $100 million credit facility in December 2010 and an additional $100 million credit facility in February 2011. In addition, as stated above, on April 27, 2011 we completed a securitization of $104.5 million of receivables purchased primarily in 2010 and 2011 and we expect to complete one or more additional term securitization transactions in 2011. In spite of the improvements we have seen in the capital markets, if the trend of improvement in the markets for asset-backed securities should reverse, or if we should be unable to obtain additional contract financing facilities or to complete a term securitization of our recently originated receivables, we may curtail or cease our purchases of new automobile contracts, which could lead to a material adverse effect on our operations.

Rescission Liability

From May 2005 to July 2010, we conducted a continuous public offering of subordinated notes, pursuant to a registration statement that was declared effective by the SEC in May 2005. In July 2010, we learned that, pursuant to a rule of the SEC, we were no longer permitted to offer and sell our subordinated notes in reliance

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

upon that registration statement. Consequently, certain investors who purchased or renewed such subordinated notes prior to the effectiveness of the new registration statement for such subordinated notes on December 13, 2010 may have a statutory right to rescind their purchase or renewal for a period of up to twelve months from the date of their purchase or renewal. As a result, we may have rescission liability and could be required to repurchase some or all of such subordinated notes at the original sales price plus statutory interest, less the amount of any income received by the purchasers. As of June 30, 2011, there were approximately $3.1 million of such subordinated notes (excluding any subordinated notes subsequently repaid) purchased or renewed after June 30, 2010, but before December 13, 2010, for which we may have rescission liability.

Derivative Financial Instruments

We do not use derivative financial instruments to hedge exposures to cash-flow or market risks. However, from 2008 to 2010, we issued warrants to purchase the Company's common stock in conjunction with various debt financing transactions. Certain of these warrants issued contain round down or reset features that are subject to classification as liabilities for financial statement purposes. These liabilities are measured at fair value with the changes in fair value at the end of each period reflected as current period income or loss. Accordingly, changes to the price per share of our common stock underlying these warrants with round down or price reset features directly impact the fair value computations for these derivative financial instruments. Thus, any increase in the price per share of our common stock also increases the related liability which would result in a current period loss. Conversely, any decrease in the price per share of our common stock also decreases the related liability which would result in a current period gain. We utilize a Binomial pricing model to compute the fair value of the liabilities associated with the outstanding warrants. In computing the fair value of the warrants liabilities at the end of each period, we use significant judgments with respect to the risk free interest rate, the volatility of our stock prices, and estimated life of the warrants. The effects of these judgments, if proven incorrect could have a significant impact to our financial statements. The warrant liabilities are included in Accounts payable and accrued expenses on our consolidated balance sheets.

Financial Covenants

Certain of our securitization transactions and our warehouse credit facility contain various financial covenants requiring certain minimum financial ratios and results. Such covenants include maintaining minimum levels of liquidity and net worth and not exceeding maximum leverage levels and maximum financial losses. In addition, certain securitization and non-securitization related debt contain cross-default provisions that would allow certain creditors to declare a default if a default occurred under a different facility.

The agreements under which we receive periodic fees for servicing automobile contracts in securitizations are terminable by the respective financial guaranty insurance companies (also referred to as note insurers) upon defined events of default, and, in some cases, at the will of the insurance company. In August 2010, we agreed with the note insurer for five of our 11 currently outstanding securitizations to amend the applicable agreements to remove the financial covenants that were contained in three of the related agreements. In return for such amendments, we agreed to increase the required credit enhancement amounts in those three deals through increased spread account requirements. The remaining two transactions insured by this particular note insurer do not contain financial covenants.

For the remaining four securitizations insured by different parties we have been receiving waivers for certain financial and operating covenants on a monthly and/or quarterly basis as summarized below:

Financial covenant	Applicable Standard

		Status Requiring Waiver (as of or for the quarter ended June 30, 2011)
Adjusted net worth (I)	$87.6 million	$(7.5) million
Leverage	Between 0 and 4.5:1	(17.1):1
Adjusted net worth (II)	$95.3 million	$(7.5) million

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

The adjusted net worth covenants are covenants to maintain minimum levels of adjusted net worth, defined as our consolidated book value under GAAP with the exclusion of intangible assets such as goodwill. There are two separate adjusted net worth covenants because there are two separate note insurers that have this covenant in their related securitization agreements. The leverage covenant requires that we not exceed the specified ratio of debt over the defined adjusted net worth. Debt is defined in this covenant to mean consolidated liabilities less warehouse lines of credit and securitization trust debt; using this definition at June 30, 2011, we had debt of $127.9 million.

Without the waivers we have received from the related note insurers, we would have been in violation of covenants relating to minimum net worth and maximum leverage levels with respect to four of our 11 currently outstanding securitization transactions. Upon such an event of default, and subject to the right of the related note insurers to waive such terms, the agreements governing the securitizations call for payment of a default insurance premium, ranging from 25 to 100 basis points per annum on the aggregate outstanding balance of the related insured senior notes, and for the diversion of all excess cash generated by the assets of the respective securitization pools into the related spread accounts to increase the credit enhancement associated with those transactions. The cash so diverted into the spread accounts would otherwise be used to make principal payments on the subordinated notes in each related securitization or would be released to us. To the extent that principal payments on the subordinated notes are delayed, we will incur greater interest expense on the subordinated notes than we would have without the required increase to the related spread accounts. As of the date of this report, cash is being diverted to the related spread accounts in four transactions. In addition, upon an event of default, the note insurers have the right to terminate us as servicer. Although our termination as servicer has been waived, we are paying default premiums, or their equivalent, with respect to insured notes representing $236.3 million of the $516.3 million of securitization trust debt outstanding at June 30, 2011. It should be noted that the principal amount of such securitization trust debt is not increased, but that the increased insurance premium is reflected as increased interest expense. Furthermore, such waivers are temporary, and there can be no assurance as to their future extension. We do, however, believe that we will obtain such future extensions of our servicing agreements because it is generally not in the interest of any party to the securitization transaction to transfer servicing. Nevertheless, there can be no assurance as to our belief being correct. Were an insurance company in the future to exercise its option to terminate such agreements or to pursue other remedies, such remedies could have a material adverse effect on our liquidity and results of operations, depending on the number and value of the affected transactions. Our note insurers continue to extend our term as servicer on a monthly and/or quarterly basis, pursuant to the servicing agreements.

Correction of Immaterial Error

In the first quarter of 2011, we revised our consolidated financial statements for the years ended December 31, 2009 and 2010, including the quarters therein, due to corrections of immaterial prior years' errors identified in the current year. We understated derivative liabilities and mis-stated interest expense for 2009 and 2010 primarily related to the accounting treatment of derivative liabilities associated with certain warrants we issued in conjunction with various debt financing transactions. The result of the correction included a decrease of previously reported net loss by $649,000 for the year ended December 31, 2010, a decrease in the previously reported net loss by $82,000 for the six months ended June 30, 2010 and a decrease of previously reported net loss of $2.2 million for the three months ended June 30, 2010. Basic and diluted loss per common share decreased by $0.04 per share from previously reported amounts as of the December 31, 2010 and decreased by $0.12 and $0.01 per share for the three and six months ended June 30, 2010, respectively. Net shareholders' equity decreased by $2.7 million and $2.1 million, respectively compared to the amounts previously reported as of June 30, 2010 and December 31, 2010.

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

(2) Finance Receivables

Our portfolio of finance receivables consists of small-balance homogeneous contracts comprising a single segment and class that is collectively evaluated for impairment on a portfolio basis according to delinquency status. We report delinquency on a contractual basis. Once a Contract becomes greater than 90 days delinquent, we do not recognize additional interest income until the obligor under the Contract makes sufficient payments to be less than 90 days delinquent. Any payments received on a Contract that is greater than 90 days delinquent are first applied to accrued interest and then to principal reduction.

The following table presents the components of Finance Receivables, net of unearned interest:

	June 30, 2011	December 31, 2010
Finance Receivables	(In thousands)	
Automobile finance receivables, net of unearned interest	$ 511,969	$ 576,090
Less: Unearned acquisition fees and originations costs	(14,989)	(10,469)
Finance Receivables	$ 496,980	$ 565,621

We consider an automobile contract delinquent when an obligor fails to make at least 90% of a contractually due payment by the following due date, which date may have been extended within limits specified in the servicing agreements. The period of delinquency is based on the number of days payments are contractually past due. Automobile contracts less than 31 days delinquent are not included. The following table summarizes the delinquency status of finance receivables as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
	(In thousands)	
Deliquency Status		
Current	$ 491,129	$ 541,375
31 - 60 days	9,715	16,784
61 - 90 days	6,103	9,453
91 + days	5,022	8,478
	$ 511,969	$ 576,090

Finance receivables totaling $5.1 million and $13.3 million at June 30, 2011 and December 31, 2010, respectively, including all receivables greater than 90 days delinquent have been placed on non-accrual status as a result of their delinquency status.

The following table presents a summary of the activity for the allowance for credit losses for the three month and six-month periods ended June 30, 2011 and 2010:

	Three Months Ended	Six Months Ended
	June 30,	June 30,

	2011	2010	2011	2010
		(In thousands)		(In thousands)
Balance at beginning of period	$11,599	$31,520	$13,168	$38,274
Provision for credit losses on finance receivables	4,360	6,990	8,052	18,706
Charge-offs	(9,894)	(17,933)	(19,796)	(44,015)
Recoveries	4,219	6,798	8,860	14,410
Balance at end of period	$10,284	$27,375	$10,284	$27,375

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

Excluded from finance receivables are contracts that were previously classified as finance receivables but were reclassified as other assets because we have repossessed the vehicle securing the Contract. The following table presents a summary of such repossessed inventory together with the allowance for losses in repossessed inventory that is not included in the allowance for credit losses:

	June 30, 2011	December 31, 2010
	(In thousands)	
Gross balance of repossessions in inventory	$ 10,147	$ 21,046
Allowance for losses on repossessed inventory	(6,078)	(16,278)
Net repossessed inventory included in other assets	$ 4,069	$ 4,768

(3) Securitization Trust Debt

We have 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 our Unaudited Condensed Consolidated Balance Sheets as “Securitization trust debt,” and the components of such debt are summarized in the following table:

	Weighted