

## FILLING THE TRUIST VOID

With the expected closing of the BB&T and SunTrust merger in the fall of this year, we anxiously await to see how the banking industry reacts. The merger of equals, as it is being called, will result in the sixth largest bank, operating under its new name – *Truist Bank*. While Truist Bank will still conduct business out of BB&T and SunTrust’s current headquarters in Winston-Salem, North Carolina and Atlanta, Georgia, Truist Bank will have its new headquarters in Charlotte, North Carolina.

The first market adaptation will be the void created after Truist Bank starts to close redundant branches in their current markets. BB&T and SunTrust operate approximately 750 branches, many of which are within two miles of each other. Now under a new brand name and consolidated management team, there will be no need for duplicative branches. Further, as Truist Bank moves forward and creates its own identity, it will eventually leave some markets that are no longer part of its business plan.

The rapid and drastic closing of branches and moving away from certain smaller markets will generate the second market adaptation, creating confusion for those local residents and businesses that have relied upon the BB&T and SunTrust branches in their market. They will now be forced to switch to Truist Bank online, with no local branch presence, or look alternatively to a local community bank to fill the void.

The third market adaptation will be the reaction and consequential benefit of the above two negative side effects. With branch closures comes well qualified banking management and personnel looking

for new opportunities. We should expect to see some top management from BB&T and SunTrust branches looking to create organizational groups to form *de novo*’s, or to create a smaller management team to help an already established community bank branch into these markets. With the familiarity and experience with the market and its residence, these community banks should be able to excel by filling the void left by the creation of Truist Bank.

In 2018, there were a total of sixteen *de novo* applications filed, and only nine filed so far in 2019. With the shortage of *de novo* banks, and with more branch closures to come, the industry is positioned for start-up community banks to thrive. Smaller communities are going to continue to suffer the most from the lack of community banks and personalized service and products.

Of the four *de novo* applications filed in Florida since the beginning of 2018, Iglar | Pearlman, P.A. has been involved in three. The common misconception of groups looking to charter a *de novo* is the minimum amount of capital that is required. We often times hear that \$25 to \$30 million in capital is necessary. This is not accurate. The amount of capital required will be primarily based on the projected asset size and equity capital at the end of the first three years of operation. In Florida, *de novo* banks rarely exceed \$150 to \$180 million in total assets at the end of the third year of operation. With that in mind, a capital raise of \$13 to \$17 million more accurately depicts what is necessary to get a *de novo* off the ground.

Our knowledge of the current regulatory process and of the financial industry allows our clients to keep organizational costs to a minimum, and to have a streamlined application process to get a new charter established. For information

on creating a *de novo* bank, or for expansion strategies into new markets that may develop after the Truist Bank merger, contact us [here](#).

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