

Press Coverage | October 30, 2020

Pandemic Could Accelerate de Novos' Profitability Timeline, Experts Say

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James Stevens, a partner in Troutman Pepper's Financial Services Practice Group, was quoted in the October 30, 2020 *Banking Dive* article, "[Pandemic Could Accelerate de Novos' Profitability Timeline, Experts Say](#)."

Customers' increased adoption of digital banking amid the pandemic, and the realization that banks can operate with less physical space, have enabled de novos to tailor their operating models to a new normal, said James Stevens, a partner in Troutman Pepper's financial services practice. The incremental efficiencies tied to those adjustments could help de novos decrease costs, he said.

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Consolidation in infrastructure and digital investments has helped de novos find a quicker path to profit in the past decade, Stevens said.

"Those same trends that we've seen that have developed that efficiency over the past 10 or 12 years have doubled again just in the last six months," he said. "Banks that are opening these days are opening with a much more efficient operating model."

Banks are realizing they don't need the same physical space as before, Stevens said. And, for some bankers, the pandemic has confirmed that approach.

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"You just don't need as many people to open a bank," Stevens said. "The number of customer-facing roles in a branch have diminished dramatically."

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Although the pandemic has caused disruptions to virtually every sector of the market, Stevens said it's a good time to be a de novo bank.

"If you're coming out with a brand-new bank today, you can now take advantage of all the things that you've learned over the past six months, and put them into your operating model," he said.

Stevens likened today's de novos to the banks that were formed at the beginning of the Great Recession — institutions that had the benefit of opening without the troubled loans their legacy counterparts held.

“Not only do you have an ability to build your operating environment, taking into account these new normals, but also you don't have any hotel or restaurant loans. You're starting from scratch,” he said.

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