

(19) World Intellectual Property Organization
International Bureau



(43) International Publication Date
27 October 2005 (27.10.2005)

PCT

(10) International Publication Number
WO 2005/101713 A2

(51) International Patent Classification⁷: H04K 1/00, H04L 9/00, G06F 17/60

(21) International Application Number: PCT/US2005/011965

(22) International Filing Date: 7 April 2005 (07.04.2005)

(25) Filing Language: English

(26) Publication Language: English

(30) Priority Data: 10/822,999 13 April 2004 (13.04.2004) US

(71) Applicant (for all designated States except US): CAPITAL ONE FINANCIAL CORPORATION [US/US]; 1680 Capital One Drive, McLean, VA 22102-3491 (US).

(72) Inventors: ALEXANDER, Robert, Minter; 9925 Eildonway Place, Richmond, VA 23233 (US). ROSENBLATT, Charles, Aaron; 1535 West Ave, Apt. 10, Richmond, VA 23220 (US).

(74) Agents: GASPARO, Frank et al.; Baker & McKenzie LLP, 805 Third Avenue - 29th Floor, New York, NY 10022 (US).

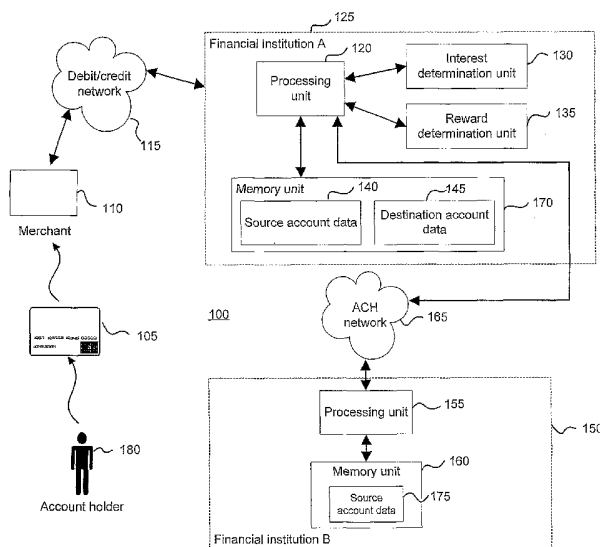
(81) Designated States (unless otherwise indicated, for every kind of national protection available): AE, AG, AL, AM, AT, AU, AZ, BA, BB, BG, BR, BW, BY, BZ, CA, CH, CN, CO, CR, CU, CZ, DE, DK, DM, DZ, EC, EE, EG, ES, FI, GB, GD, GE, GH, GM, HR, HU, ID, IL, IN, IS, JP, KE, KG, KM, KP, KR, KZ, LC, LK, LR, LS, LT, LU, LV, MA, MD, MG, MK, MN, MW, MX, MZ, NA, NI, NO, NZ, OM, PG, PH, PL, PT, RO, RU, SC, SD, SE, SG, SK, SL, SM, SY, TJ, TM, TN, TR, TT, TZ, UA, UG, US, UZ, VC, VN, YU, ZA, ZM, ZW.

(84) Designated States (unless otherwise indicated, for every kind of regional protection available): ARIPO (BW, GH, GM, KE, LS, MW, MZ, NA, SD, SL, SZ, TZ, UG, ZM, ZW), Eurasian (AM, AZ, BY, KG, KZ, MD, RU, TJ, TM), European (AT, BE, BG, CH, CY, CZ, DE, DK, EE, ES, FI, FR, GB, GR, HU, IE, IS, IT, LT, LU, MC, NL, PL, PT, RO, SE, SI, SK, TR), OAPI (BF, BJ, CF, CG, CI, CM, GA, GN, GQ, GW, ML, MR, NE, SN, TD, TG).

Published: — without international search report and to be republished upon receipt of that report

For two-letter codes and other abbreviations, refer to the "Guidance Notes on Codes and Abbreviations" appearing at the beginning of each regular issue of the PCT Gazette.

(54) Title: SYSTEM AND METHOD FOR PROCESSING AND FOR FUNDING A TRANSACTION



(57) Abstract: Method for processing a transaction, the method comprising automatically requesting an automated clearing house transfer from a source account to a destination account via an automated clearing house network, receiving the automated clearing house transfer, adjusting destination account data associated with the destination account by increasing a balance of the destination account by an amount of the transfer, receiving transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and data identifying the destination account, processing the attempted transaction with a credit card interchange rate, and transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

WO 2005/101713 A2

SYSTEM AND METHOD FOR PROCESSING AND FOR FUNDING A TRANSACTION

Field

5 The present application relates to a banking system and method and, more particularly, to a system and method for providing transactional access to a demand deposit account while imposing a credit card interchange rate on the respective transaction.

Background

10 Credit cards, debit cards and other types of transaction cards are commonly used today by consumers to fund transactions at or with merchants. When credit cards and debit cards are used by consumers, interchange rates are routinely imposed by a bankcard association. An interchange rate is a percentage of a transaction amount and the percentage is set by the bankcard association. Acquiring banks are charged the interchange rate for a
15 consumer transaction by the bankcard association. An acquiring bank is a financial institution that contracts with merchants to settle electronic transactions. For credit card transactions, an acquiring bank provides the merchant with its credit card processing account. This acquiring bank sends credit card and purchase information for transactions to a credit card association (such as Visa® and MasterCard®), which forwards it to the issuer associated with the credit
20 card. The credit card association also collects interchange revenue due to the interchange rate imposed for each transaction associated with the respective credit or debit card and forwards at least a portion of that revenue to the issuer. Interchange rates for credit card transactions are higher than interchange rates for debit cards.

 Also commonly used today in the banking industry is automated clearing house
25 ("ACH") transactions. ACH is a form of electronic payment. Specifically, ACH is an

electronic fund transfer through an ACH network including the Federal Reserve Bank from one account to another account, such as to a checking or savings account. ACH is typically used to process payments for settlement within one or two business days. ACH transactions are settled in a manner similar to the way checks are settled: The clearinghouse takes all ACH files received daily from its member banks, sorts them by the originating bank (the bank where the check was cashed or deposited) and the paying bank (the bank against which the check was drawn), totals the accounts, and credits or debits appropriate accounts accordingly. A company can issue an ACH debit for a purchase amount through the ACH network to a customer's account at the customer's bank. A company can also initiate a purchase upon receipt of an ACH credit.

Numerous financial institutions, such as credit card companies and banks, and other companies, such as airline carriers, hotels and retailers, offer membership reward programs to their customers. Traditionally, membership reward programs are funded at least in part by the interchange revenue collected by the respective financial institution. These membership reward programs often provide their participants the ability to earn and accumulate units or portions thereof that are operable as currency, such as points, stars and miles. Participants earn such units, for example, when conducting transactions with a qualified account or engaging services with the qualified account. The units are redeemable for merchandise or services with participating merchants. Further, these membership reward programs offer other rewards to participants for being enrolled in the respective reward program that do not involve the redemption of points or the like, such as a companion airline ticket upon purchasing an airline ticket with a qualified account. Depending on the reward program enrolled in by a participant, certain rewards may not be available to the respective participant.

For instance, program X may not offer particular merchandise or services to its participants, whereas program y does offer such merchandise or services.

A participant may use a transaction card associated with the qualified account to conduct the respective transaction. Reward units typically accrue at a rate of one unit for every dollar
5 spent using the account and the accrued units operate as currency. Some entities restrict purchasing to particular merchants to earn reward units, whereas other financial institutions have no such restrictions. The maximum reward units a participant can earn annually are usually unlimited. Sometimes, however, a cap is imposed on the amount of reward units a participant can earn. Additionally, reward units usually do not accumulate on cash advances,
10 convenience checks, balance transfers, fees or adjustments. When merchandise purchased with the respective account is returned, the account credit will result in a reduction of reward units.

Participants usually seek to accumulate enough reward units to purchase merchandise or services. For instance, a participant may seek to accumulate enough reward units to
15 purchase a particular product from an associated merchant or purchase an airline ticket from another associated merchant. Depending on the program, only certain merchants are considered qualified merchants with whom reward units can be redeemed towards a purchase.

Membership reward programs also often offer participants other rewards, incentives
20 or the like instead of or in addition to the ability to accumulate reward units. For example, some membership reward programs return to a participant a predetermined percentage of a transaction amount or of an amount spent during a predetermined period (referred to as "cash back") either as a credit to an account or by check, offer participants discounts on select merchandise or services, and complimentary merchandise or services.

Typically, participants earn rewards when using transaction cards associated with a credit line, such as conventional credit cards. Few debit card issuers, however, offer rewards for use of their debit cards at least in part because companies like Mastercard® and Visa® collect lower interchange revenue from merchants and consequently pay less to the respective
5 issuers. As a result, debit card issuers do not have sufficient revenue to fund programs such as rewards programs. Moreover, consumers commonly obtain their debit cards from the same banks which provide their checking or other demand deposit account.

Therefore, a need exists for a system and method that utilizes a transaction card with a credit card interchange rate which is paid on a predetermined basis, such as daily, weekly or
10 monthly, through ACH to a demand deposit account, the demand deposit account being associated with the issuer of the transaction card or a different financial institution. As a result of imposing the credit card interchange rate, a need exist for providing such account holders of the transaction card issuers with rewards for engaging in transactions.

15 **Summary**

An aspect of the present application provides for a method for processing a transaction, the method comprising automatically requesting an automated clearing house transfer from a source account to a destination account via an automated clearing house network, receiving the automated clearing house transfer, adjusting destination account data
20 associated with the destination account by increasing a balance of the destination account by an amount of the transfer, receiving transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and data identifying the destination account, processing the attempted transaction with a credit card interchange rate,

and transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

Another aspect of the present application provides for a method for processing a transaction, the method comprising receiving an automated clearing house transfer from a source account via an automated clearing house network, adjusting destination account data associated with a destination account by increasing a balance of the destination account by an amount of the transfer, receiving transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and data identifying the destination account, processing the attempted transaction with a credit card interchange rate; and transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

A further aspect of the present application provides for a method for processing a transaction, the method comprising receiving transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and data identifying the destination account, processing the attempted transaction with a credit card interchange rate, requesting an automated clearing house transfer for the transaction amount to be transmitted from a source account to a destination account via an automated clearing house network, receiving the automated clearing house transfer, and transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

A still further aspect of the present application provides for a system for processing a transaction comprising a memory unit for storing destination account data including data indicating a balance of a destination account and data identifying the destination account, and a processing unit operatively connected to the memory unit, the processing unit programmed

to automatically request an automated clearing house transfer from a source account to the destination account via an automated clearing house network, receive the automated clearing house transfer, adjust the destination account data associated with the destination account by increasing the balance of the destination account by an amount of the transfer, receive
5 transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and the data identifying the destination account, process the attempted transaction with a credit card interchange rate, and transmit data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

10 An additional aspect of the present application provides for a system for processing a transaction comprising a memory unit for storing destination account data including data indicating a balance of a destination account and data identifying the destination account, and a processing unit operatively connected to the memory unit, the processing unit programmed to receive an automated clearing house transfer from a source account via an automated
15 clearing house network, adjust the destination account data associated with the destination account by increasing the balance of the destination account by an amount of the transfer, receiving transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and the data identifying the destination account, processing the attempted transaction with a credit card interchange rate, and
20 transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

Another aspect of the present application provides for a system for processing a transaction comprising a memory unit for storing destination account data including data indicating a balance of a destination account and data identifying the destination account, and

a processing unit operatively connected to the memory unit, the processing unit programmed to receive an automated clearing house transfer from a source account via an automated clearing house network, adjust the destination account data associated with the destination account by increasing the balance of the destination account by an amount of the transfer,
5 receive transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and the data identifying the destination account, processing the attempted transaction with a credit card interchange rate, and transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

10

Brief Description of the Drawings

Fig. 1 illustrates an exemplary transaction system according to the exemplary embodiments of the present application;

Fig. 2 illustrates an exemplary flow diagram for processing a transaction according to the
15 exemplary embodiments of the present application;

Fig. 3 illustrates another exemplary flow diagram for processing a transaction according to the exemplary embodiments of the present application; and

Fig. 4 illustrates in more detail the exemplary transaction system shown in Fig. 1.

Detailed Description

The exemplary embodiments of the present application are described with reference to an account holder having a plurality of accounts and at least one associated transaction card linked to at least one of the plurality of accounts. The account holder can use the card, for example, to make a purchase at or with a merchant. The appearance of the transaction

card can represent a credit card, a debit card, an ATM card and a smart card and, thus, is not meant to be limited to any particular type of card and associated account. Transactions conducted with the transaction card, however, are processed using a credit card interchange rate, as described herein in more detail. As is well known in the art, some transactions can be conducted without presenting a physical card at a point-of-sale (“POS”). Rather, an account holder can present a predetermined number associated with one or more accounts to perform a transaction. Further, transaction cards can be administered by various companies, such as banks, credit card companies, or other institutions or companies.

Figure 1 illustrates an exemplary transaction system 100 according to the exemplary embodiments of the present application. Transaction system 100 includes merchant 110, financial institution A 125 coupled to merchant 110 via debit/credit network 115, and financial institution B 150. Financial institution A 125 includes processing unit 120, interest determination unit 130, reward determination unit 135 and memory unit 170 having stored therein source account data 140 and destination account data 145. Source account data is associated with source account 425 and destination account data 145 is associated with destination account 410, depicted in Fig. 4. Alternatively, the functionality provided by interest determination unit 130 and reward determination unit 135 can instead be provided by processing unit 120 or in conjunction with processing unit 120. Financial institution B 150 includes processing unit 155 coupled to memory unit 160 having stored therein source account data 175. Source account data 175 is associated with source account 415, also shown in Fig. 4. Financial institution A 125 transmits data to and receives data, for instance, ACH transfer 425 as shown in Fig. 4, from financial institution B 150 via ACH network 165. The use of debit/credit network 115 for transmitting and for processing credit and debit transaction data is well known in the art and therefore is not described in detail herein.

Similarly, the use of ACH network 165 for transmitting and for processing ACH transfer 425 is well known in the art and hence is also not described in detail herein.

Transaction card 105 is operable for account holder 180 to purchase at or with merchant 110 to cause data to be transmitted to and from financial institution A 125
5 regarding that transaction. Financial institution A 125 issues to account holder 180 transaction card 105, financial institution A 125 being a credit card company, a bank, a mortgage company or any other type of financial institution or company. Like financial institution A 125, financial institution B 150 is linked to financial institution A 125 and can be a credit card company, a bank, a mortgage company or any other type of financial
10 institution or company.

Memory unit 170 and memory unit 160 associated with financial institution A 125 and financial institution B 150, respectively, can include various types of memory storage devices, for example, one or more databases, relational or otherwise and, therefore, is not meant to be limited to any particular type of storage device or quantity of storage devices
15 operating alone or in combination. Memory unit 170 stores data including, for instance, source account data 140 and destination account data 145, and memory unit 160 stores data including, for example, source account data 175. As will be appreciated by a person having ordinary skill in the art, memory unit 170 and memory unit 160 can store other data associated with account holder 180, such as personal data, transaction history data, security
20 data and data associated with accumulated and redeemed rewards.

Debit/credit network 115 can be the MasterCard®/Visa® network or other proprietary networks, such as Plus, Novus (debit), Diner's Club® (credit) and American Express®, the operation and use of which are well known in the art and are, thus, not described herein. Transaction data associated with a transaction between account holder 180 and merchant 110

is transmitted using debit/credit network 115. Transaction data can also be transmitted through an Internet link, through a mail link and through a telephone link instead of debit/credit network 115 or in combination with debit/credit network 115.

The components of Fig. 1 may be implemented through hardware, software, and/or
5 firmware. The components in transaction system 100 are not limited to those illustrated.

Figure 2 illustrates an exemplary flow diagram for processing and for funding a transaction according to the exemplary embodiments of the present application. Financial institution A 125 is electronically coupled to financial institution B 150 so that funds can be electronically transferred to or from the respective financial institution via ACH network 165.
10 In an exemplary embodiment, ACH transactions occur automatically on a recurring basis at a predetermined time, for instance, daily, weekly, monthly or yearly, or a combination thereof, as described herein in more detail. Alternatively, ACH transactions can occur upon request, as opposed to automatically, for example, by account holder 180, by financial institution A 125 and/or by financial institution B 150, also described herein in more detail with reference
15 to Fig. 3.

In Fig. 2, ACH transfer 425 occurs automatically at a predetermined time for a predetermined amount before a transaction is attempted by account holder 180. The automatic ACH transfer 425 is either initiated by financial institution A 125 via ACH request 430, described herein with reference to 205-215, or is initiated by financial institution B 165,
20 as described herein with reference to 220-225. When initiated by financial institution A 125 by ACH request 430, a predetermined amount of funds are requested by processing unit 120 to be transferred to destination account 410 associated with financial institution A 125 from source account 415 associated with financial institution B 150, in 205, as shown in Fig. 2. Processing unit 120 receives the requested ACH transfer from financial institution B 150, in

210, and updates destination account data 145 stored in memory unit 170 associated with account holder 180 by increasing the stored balance data by the amount of ACH transfer 425, in 215. Further, processing unit 155 of financial institution B 150 updates source account 415, in particular, source account data 175 stored in memory unit 160, also associated with account holder 180 by decreasing the stored balance data by the amount of ACH transfer 425. In an exemplary embodiment of the present application, the amount of the automatic ACH transfer 425 is determined by the respective account holder, for instance, account holder 180, and the predetermined time, for instance, daily, weekly, monthly or yearly, when ACH transfer 425 occurs is also determined by that account holder.

When financial institution B 150 initiates ACH transfer 425, processing unit 155 of financial institution B 150 automatically transfers the predetermined amount of funds from source account 415 to destination account 410 at financial institution A 125 at the predetermined time via ACH transfer 425 through ACH network 165. ACH transfer 425 is received by processing unit 120, in 220. Similar to when financial institution A 125 initiates ACH transfer 425, processing unit 120 adjusts destination account data 145 including the balance data by increasing the balance data by the amount of ACH transfer 425, in 225. Also, processing unit 155 adjusts source account data 175 by decreasing the stored balance data by the amount of ACH transfer 425.

Thus, processing unit 120 of financial institution A 125 can automatically request the transfer of the predetermined amount of funds from source account 415 to destination account 410 via ACH transfer 425 at the predetermined time or processing unit 155 of financial institution B 150 can automatically transfer the predetermined amount of funds from source account 415 to destination account 410 at financial institution A 125 via ACH transfer 425 at the predetermined time, as described herein. In both instances, an account balance of

destination account 410 is increased which is reflected by destination account data 145 stored in memory unit 170. Accordingly, funds will be available for account holder 180 to conduct at least one transaction at or with merchant 110, the transaction having imposed thereon a credit card interchange rate.

5 As shown in Fig. 2, after the occurrence of ACH transfer 425, account holder 180 presents transaction card 105 to merchant 110, for instance, at a POS for conducting a transaction with merchant 110. A device or devices located at merchant 110, such as a POS terminal, read a magnetic stripe located on transaction card 105 or a memory unit located on transaction card 105 if transaction card 105 is a smart card or the like. Transaction data
10 including at least a transaction amount and an account number associated with transaction card 105 is received by processing unit 120 of financial institution A 125 via debit/credit network 115, in 230. In an example embodiment, the received account number is associated with destination account 410 and destination account data 145 stored in memory unit 170. The account number, however, can be associated with another account linked to destination
15 account 410.

In transaction system 100, a conventional credit card interchange rate 420 is imposed for the transaction conducted by account holder 180 at merchant 110 using transaction card 105. Accordingly, the interchange revenue earned by the issuer of transaction card 105, for instance, financial institution 125, is greater than the interchange revenue earned from a debit
20 card interchange rate.

Once the transaction data is received by processing unit 120, in 230, processing unit 120 processes the attempted transaction by account holder 180, in 235. Specifically, processing unit 120 determines from the received transaction data the account number associated with transaction card 105 used by account holder 180 at merchant 110 and the

transaction amount. Since in an exemplary embodiment the account number is associated with destination account 410, processing unit 120 accesses destination account data 145 stored in memory unit 170 to determine whether to authorize the attempted transaction, in 240. More particularly, processing unit 120 compares the balance of destination account 410 to the transaction amount to determine whether the balance is greater than or equal to the transaction amount. If the balance of destination account 410 is greater than or equal to the transaction amount, then processing unit 120 authorizes the attempted transaction and transmits authorization data to merchant 110 via debit/credit network 115, in 250. If, however, the balance of destination account 410 is less than the transaction amount, then processing unit 120 denies the attempted transaction and transmits denial data to merchant 110 via debit/credit network 115, in 245. Alternatively, if the balance of destination account 410 is less than the amount of the attempted transaction, a credit line associated with financial institution A 125 or financial institution B 150, or another demand deposit account associated with account holder 180 is accessed by processing unit 120 to cover the amount of the attempted transaction or a portion thereof not covered by the balance of destination account 410. Account holder 180 can also be charged a predetermined transaction fee for utilizing the overdraft protection benefit associated with transaction card 105.

Destination account 410 may have a balance reflected by destination account data 145, described herein with reference to Figs. 2-4. In an exemplary embodiment, if destination account 410 has a balance, account holder 180 earns interest at a fixed or variable interest rate on the account balance. The fixed or variable interest rate can be determined by financial institution A 125 or determined based in whole or in part on any other known method for determining interest rates on deposited funds. Interest determination unit 130 determines an amount of interest that has accrued on a balance of destination account 145 at a

predetermined time, for instance, on a daily, weekly, monthly or yearly basis. Thereafter, processing unit 120 receives data from interest determination unit 130 indicating the accrued interest and stores this data in memory unit 170 in association with destination account 410 so that destination account data 145 reflects the increase in the account balance.

5 In an alternative embodiment described in more detail herein with reference to Fig. 3, funds are transferred from source account 415 to destination account 410 by ACH transfer 425 only upon request by account holder 180 after (or before) a respective attempted transaction by account holder 180. In a further alternative embodiment, funds are transferred from source account 415 to destination account 410 by financial institution A 125 or by
10 financial institution B 150 automatically after account holder 180 initiates the transaction with merchant 180. For instance, upon processing unit 120 receiving data from merchant 110 indicating a transaction amount, processing unit 120 automatically transmits ACH request 430 to processing unit 155 requesting an ACH transfer equal to the transaction amount be transferred to destination account 410. Alternatively, account holder 180 can contact
15 financial institution A 125 or financial institution B 150 to request ACH transfer 425 for a specific amount of money at least equal to the transaction amount. Account holder 180 can also request when ACH transfer 425 should occur to assure that the appropriate funds are present in destination account 410 for covering the transaction amount and/or any future transactions using transaction card 105 at merchant 110.

20 Figure 3 illustrates another exemplary flow diagram for processing and for funding a transaction according to the exemplary embodiments of the present application. As shown in Fig. 3, like the exemplary embodiment described herein with reference to Fig. 2, transaction data including at least a transaction amount and an account number associated with

transaction card 105 is received by processing unit 120 of financial institution A 125 via debit/credit network 115, in 310.

Processing unit 120 then requests ACH transfer 425 by transmitting ACH request 430 for an amount equal to the transaction amount to be electronically transferred from source
5 account 415 associated with financial institution B 150 to destination account 410 associated with financial institution A 125, in 315. ACH transfer 425 can result either from account holder 180 requesting the ACH transfer or from financial institution A 125 requesting the ACH transfer. Processing unit 120 thereafter receives the funds through ACH transfer 425 via ACH network 165, in 320. If source account 415, however, does not have sufficient
10 funds, a credit line associated with financial institution A 125 or financial institution B 150, or another demand deposit account associated with account holder 180 is accessed by processing unit 120 to cover the amount of the attempted transaction or a portion thereof. Account holder 180 can also be charged a predetermined transaction fee for utilizing the overdraft protection benefit associated with transaction card 105.

15 Processing unit 120 updates destination account data 145 stored in memory unit 170 associated with account holder 180 by increasing the stored balance data by the amount of ACH transfer 425, in 325. Further, processing unit 155 of financial institution B 150 updates source account data 175 stored in memory unit 160 also associated with account holder 180 by decreasing the stored balance data by the amount of ACH transfer 425. Processing unit
20 120 then authorizes the attempted transaction and transmits authorization data to merchant 110 via debit/credit network 115, in 330. Alternatively, the authorization data is transmitted before receiving funds in 320 or before requesting ACH transfer 425 in 315. Before or after transmitting the authorization data, processing unit 120 again updates destination account data 145 stored in memory unit 170 associated with account holder 180 by decreasing the

stored balance data by the transaction amount, in 325. In an alternative embodiment, processing unit 120 does not update the balance data of destination account 410, for instance, by first increasing the balance data and then decreasing the balance data by the same amount, as described herein with reference to 325 and 335. Rather, the balance data is not altered for
5 the net result of the balance is the same.

Besides requesting ACH transfer 425 on a per transaction basis, ACH transfer 425 can occur once a day, for example, at the end of the day, for an amount equal to the cumulative amount of all transactions conducted by account holder 180 using transaction card 105 during that respective day. Alternatively, ACH transfer 425 can occur after a predetermined number
10 of hours or days have elapsed, the amount of ACH transfer 425 equaling the cumulative amount of all transactions conducted by account holder 180 during the predetermined number of hours or days preceding the transfer.

In another exemplary embodiment of the present application, the source account from which a predetermined amount of money originates is associated with financial institution A
15 125, as opposed to financial institution B 150. For example, source account data 140 associated with source account 425 is stored in memory unit 170 of financial institution 125, as depicted in Fig. 1. As a result, processing unit 120 either automatically or upon request by account holder 180 request transfers from source account 425 to destination account 410 or automatically receives transfers from source account 425 as described herein with reference
20 to Figs. 2 and 3. As will be appreciated by a person having ordinary skill in the art, funds can be transferred internally within a financial institution or funds can be transferred from one account associated with the institution to another account associated with the same institution using ACH network 165.

Destination account 410 may have a balance reflected by destination account data 145, described herein with reference to Figs. 2-4. In an exemplary embodiment, if destination account 410 has a balance, account holder 180 earns interest at a fixed or variable interest rate on the account balance. For example, destination account 410 has a balance if the amount of ACH transfer 425 exceeds the amount of a transaction or transactions that need to be funded. The fixed or variable interest rate can be determined by financial institution A 125 or determined based in whole or in part on any other known method for determining interest rates on deposited funds. Interest determination unit 130 determines an amount of interest that has accrued on a balance of destination account 145 at a predetermined time, for instance, on a daily, weekly, monthly or yearly basis. Thereafter, processing unit 120 receives data from interest determination unit 130 indicating the accrued interest and stores this data in memory unit 170 in association with destination account 410 so that destination account data 145 reflects the increase in the account balance.

As can be seen in Fig. 1, processing unit 120 is also coupled to reward determination unit 135. In an exemplary embodiment, reward determination unit 135 determines whether a respective account holder, for example, account holder 180, is entitled to a reward. If it is determined that account holder 180 is entitled to a reward, the particular reward is determined by reward determination unit 135 and then associated with an account, such as a reward account, of account holder 180 so that account holder 180 can later redeem the reward.

Transactions conducted by account holder 180 using transaction card 105 are processed using a credit card interchange rate as described herein. The use of a credit card interchange rate, as opposed to a lower debit card interchange rate, affords issuers, such as financial institution 125, a financial benefit and these issuers extend reward opportunities associated with a reward program to account holders like account holder 180.

In the present application, account holder 180 participates in a reward program associated with financial institution A 125 and thereby earns rewards, incentives or the like, for instance, by engaging in transactions with merchants, such as merchant 110, using transaction card 105 associated with a qualified financial account, for instance, destination
5 account 410, and later redeeming those accumulated rewards, incentives or the like with merchant 110 or with other merchants. Under the reward program, account holder 180 has the ability to earn a plurality of reward units, such as points, for example, for purchases with merchant 110 and other merchants using a qualified financial account --destination account 410 as described herein.

10 The present application is applicable, to any institution or company having a membership reward program associated therewith, including financial institutions, airlines, supermarkets, hotels, car rental companies, retail stores, Internet loyalty programs, loyalty providers, such as Carlson Companies, Inc. and Cendant Corporation, and Visa® and MasterCard® that offer rewards, incentives or the like. In an exemplary embodiment of the
15 present application, the membership reward program is managed directly by the institution or company, for instance, financial institution A 125. Alternatively, the membership reward program is managed by a third party associated with financial institution A 125. Financial institution A 125 may or may not be in a partnership with a third party and/or other party. For instance, in the event financial institution A 125 has a partnership relationship with the
20 third party and/or other party, the relationship may involve a co-branding.

The membership reward program can also be operable as an independent reward program, as an accelerator reward program, as a coalition reward program or otherwise, or as a combination thereof. As would be appreciated by a person having ordinary skill in the art, when enrolled in an accelerator program, an account holder accelerates the earning of reward

units or the like in another reward program independent of the accelerator program, for example, when conducting transactions with an account linked to the accelerator program. A coalition reward program, such as Upromise (www.upromise.com), is operable for account holders to earn rewards from a particular suite of merchants. Other reward programs can be associated with the coalition reward program. When an account holder conducts a transaction with one of the merchants within the suite using one of these other reward programs, that account holder earns additional rewards. For instance, a reward program associated with a coalition reward program is operable for account holders to earn X% for every transaction regardless of the merchant and an additional Y% for transactions conducted with one of the merchants within the suite and an additional Z% at another one of the merchants within the suite.

Accordingly, two or more membership reward programs can be linked together so that account holder 180 earns reward units or the like in a single rewards account from various sources.

The exemplary embodiments of the present application are described herein with reference to reward units as being points, and earning and redeeming the same. The present application, however, is not limited to points, as points are units merely symbolizing a form of currency for use towards transactions. Hence, other symbols operable as currency are equally applicable to the exemplary embodiments of the present application, for instance, miles, stars, dollars, cash, rebates or credits.

In an exemplary embodiment, account holder 180 participating in the membership reward program earns (and redeems) points when conducting transactions with merchant 110 and other merchants. These points are earned by account holder 180, for example, upon account holder 180 conducting transactions with merchant 110 using destination account 410.

Earning and redeeming currency units, such as points, associated with a membership reward program are well known in the art and are therefore not described in detail herein. Account holder 180 can also earn and redeem other rewards, including, for example, gift certificates, coupons, companion airplane tickets, or other goods or services. The present application is not limited to these rewards, as they are merely exemplary.

According to the embodiments described in the present application, transaction system 100 is operable for an institution (for example, financial institution A 125) other than the institution (for example, financial institution B 150) offering account holder 180 a demand deposit account (for example, source account 415), such as a checking account, to issue a transaction card linked to this demand deposit account through ACH network 165. To merchant 110, transaction card 105 appears as a credit card and is processed as a credit card since a credit card interchange rate is imposed on each transaction. To account holder 180, though, transaction card 105 operates like a debit card, because with every transaction, at the end of each day or at some other time, an ACH transaction would debit source account 415 of account holder 180 for the amount of the purchase(s). Hence, transaction card 105 is, for example, a credit card behaving like a debit card due to the use of ACH. The use of ACH network 165 enables account holder 180 flexibility in that account holder 180 can get a transaction card from one institution, for example, a credit card company, while having his or her demand deposit account at another institution, such as a bank.

The embodiments described above are illustrative examples of the present application and it should not be construed that the present application is limited to these particular embodiments. Various changes and modifications may be effected by one skilled in the art without departing from the spirit or scope of the invention as defined in the appended claims.

What is claimed is:

--1. A method for processing a transaction, the method comprising:
automatically requesting an automated clearing house transfer from a source account
to a destination account via an automated clearing house network;
5 receiving the automated clearing house transfer;
adjusting destination account data associated with the destination account by
increasing a balance of the destination account by an amount of the transfer;
receiving transaction data from a merchant indicating an attempted transaction, the
transaction data including a transaction amount and data identifying the destination account;
10 processing the attempted transaction with a credit card interchange rate; and
transmitting data to the merchant indicating one of authorization of the attempted
transaction and denial of the attempted transaction.

--2. The method as set forth in claim 1, wherein
15 automatically requesting the automated clearing house transfer includes
automatically requesting the automated clearing house transfer at a predetermined
time for a predetermined amount of money.

--3. The method as set forth in claim 2, wherein
20 the predetermined time is on a recurring basis.

--4. The method as set forth in claim 1, wherein
automatically requesting the automated clearing house transfer includes

automatically requesting the automated clearing house transfer on a transactional basis or on request by one of an associated account holder and an associated financial institution.

5 --5. The method as set forth in claim 3, wherein
the recurring basis occurs one of daily, weekly, monthly and yearly.

 --6. The method as set forth in claim 1, wherein
the source account is one of a checking account, a savings account and a money
10 market account.

 --7. The method as set forth in claim 1, wherein
the destination account is one of a checking account, a savings account and a money
market account.

15 --8. The method as set forth in claim 1, wherein
the source account and the destination account are managed by the same financial
institution.

20 --9. The method as set forth in claim 6, wherein
the financial institution is one of a bank and a credit card company.

 --10. The method as set forth in claim 1, wherein
receiving the transaction data from the merchant includes

receiving the data from the merchant via a proprietary credit network, the proprietary credit network being associated with one of VISA®, MasterCard®, Plus, Novus, Diner's Club® and American Express®.

5 --11. The method as set forth in claim 1, wherein
processing the attempted transaction with the credit card interchange rate includes
accessing the balance of the destination account to determine whether the balance is
greater than or equal to the transaction amount,
if it is determined that the balance is greater than or equal to the transaction amount
10 authorizing the attempted transaction, and
if it is determined that the balance is not greater than or equal to the transaction
amount, denying the attempted transaction.

 --12. The method as set forth in claim 1, wherein
15 processing the attempted transaction with the credit card interchange rate includes
accessing the balance of the destination account to determine whether the balance is
greater than or equal to the transaction amount,
if it is determined that the balance is greater than or equal to the transaction amount
authorizing the attempted transaction,
20 and if it is determined that the balance is not greater than or equal to the transaction
amount, one of reprocessing the attempted transaction and accessing a line of credit
associated with at least one of the source account and the destination account for funding the
attempted transaction or at least a portion of the attempted transaction.

--13. The method as set forth in claim 12, wherein

an account holder associated with the source account and the destination account is presented with an option of reprocessing the attempted transaction or accessing the line of credit associated with the at least one of the source account and the destination account.

5

--14. The method as set forth in claim 1, wherein

the credit card interchange rate is a percentage of the transaction amount.

--15. The method as set forth in claim 1, further comprising:

10 providing interest at one of a fixed interest rate and a variable interest rate on at least a portion of the balance of the destination account, the interest accruing after expiration of a predetermined period of time.

--16. The method as set forth in claim 1, further comprising:

15 providing a reward to an account holder associated with the source account and the destination account, if the attempted transaction was authorized.

--17. The method as set forth in claim 16, wherein

providing the reward includes

20 assigning at least one reward unit to another account associated with the destination account, the at least one reward unit being determined according to the transaction amount of the attempted transaction.

--18. The method as set forth in claim 17, wherein

the at least one reward unit includes one of at least one point and at least one mile.

--19. The method as set forth in claim 16, wherein

the reward includes one of a discount on the transaction amount of the attempted

5 transaction, a gift certificate, a coupon, a good and a service.

--20. A method for processing a transaction, the method comprising:

receiving an automated clearing house transfer from a source account via an

automated clearing house network;

10 adjusting destination account data associated with a destination account by increasing
a balance of the destination account by an amount of the transfer;

receiving transaction data from a merchant indicating an attempted transaction, the
transaction data including a transaction amount and data identifying the destination account;

processing the attempted transaction with a credit card interchange rate; and

15 transmitting data to the merchant indicating one of authorization of the attempted
transaction and denial of the attempted transaction.

--21. The method as set forth in claim 20, wherein

receiving the automated clearing house transfer includes

20 receiving the automated clearing house transfer at a predetermined time for a
predetermined amount of money.

--22. The method as set forth in claim 21, wherein

the predetermined time is on a recurring basis.

--23. The method as set forth in claim 22, wherein
the recurring basis occurs one of daily, weekly, monthly and yearly.

5 --24. The method as set forth in claim 20, wherein
the source account is one of a checking account, a savings account and a money
market account.

10 --25. The method as set forth in claim 20, wherein
the destination account is one of a checking account, a savings account and a money
market account.

15 --26. The method as set forth in claim 20, wherein
the source account and the destination account are managed by the same financial
institution.

--27. The method as set forth in claim 26, wherein
the financial institution is one of a bank and a credit card company.

20 --28. The method as set forth in claim 20, wherein
receiving the transaction data from the merchant includes
receiving the data from the merchant via a proprietary credit network, the proprietary
credit network being associated with one of VISA®, MasterCard®, Plus, Novus, Diner's
Club® and American Express®.

--29. The method as set forth in claim 20, wherein

processing the attempted transaction with the credit card interchange rate includes

accessing the balance of the destination account to determine whether the balance is

5 greater than or equal to the transaction amount,

if it is determined that the balance is greater than or equal to the transaction amount

authorizing the attempted transaction, and

if it is determined that the balance is not greater than or equal to the transaction

amount, denying the attempted transaction.

10

--30. The method as set forth in claim 20, wherein

processing the attempted transaction with the credit card interchange rate includes

accessing the balance of the destination account to determine whether the balance is

greater than or equal to the transaction amount,

15 if it is determined that the balance is greater than or equal to the transaction amount

authorizing the attempted transaction,

and if it is determined that the balance is not greater than or equal to the transaction

amount, one of reprocessing the attempted transaction and accessing a line of credit

associated with at least one of the source account and the destination account for funding the

20 attempted transaction or at least a portion of the attempted transaction.

--31. The method as set forth in claim 30, wherein

an account holder associated with the source account and the destination account is presented with an option of reprocessing the attempted transaction or accessing the line of credit associated with the at least one of the source account and the destination account.

5 --32. The method as set forth in claim 20, wherein
the credit card interchange rate is a percentage of the transaction amount.

 --33. The method as set forth in claim 20, further comprising:
providing interest at one of a fixed interest rate and a variable interest rate on at least a
10 portion of the balance of the destination account, the interest accruing after expiration of a
predetermined period of time.

 --34. The method as set forth in claim 20, further comprising:
providing a reward to an account holder associated with the source account and the
15 destination account, if the attempted transaction was authorized.

 --35. The method as set forth in claim 34, wherein
providing the reward includes
assigning at least one reward unit to another account associated with the destination
20 account, the at least one reward unit being determined according to the transaction amount of
the attempted transaction.

 --36. The method as set forth in claim 35, wherein
the at least one reward unit includes one of at least one point and at least one mile.

--37. The method as set forth in claim 34, wherein
the reward includes one of a discount on the transaction amount of the attempted
transaction, a gift certificate, a coupon, a good and a service.

5

--38. A method for processing a transaction, the method comprising:
receiving transaction data from a merchant indicating an attempted transaction, the
transaction data including a transaction amount and data identifying the destination account;
processing the attempted transaction with a credit card interchange rate;
10 requesting an automated clearing house transfer for the transaction amount to be
transmitted from a source account to a destination account via an automated clearing house
network;
receiving the automated clearing house transfer; and
transmitting data to the merchant indicating one of authorization of the attempted
15 transaction and denial of the attempted transaction.

15

--39. The method as set forth in claim 38, further comprising:
adjusting destination account data associated with the destination account by
increasing a balance of the destination account by an amount of the automated clearing house
20 transfer upon receiving the automated clearing house transfer; and
readjusting the destination account data by decreasing the balance of the destination
account one of before and after transmitting the authorization data to the merchant.

20

--40. A system for processing a transaction comprising:

a memory unit for storing destination account data including data indicating a balance of a destination account and data identifying the destination account; and

a processing unit operatively connected to the memory unit, the processing unit programmed to

5 automatically request an automated clearing house transfer from a source account to the destination account via an automated clearing house network,

receive the automated clearing house transfer,

adjust the destination account data associated with the destination account by increasing the balance of the destination account by an amount of the transfer,

10 receive transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and the data identifying the destination account,

process the attempted transaction with a credit card interchange rate, and

transmit data to the merchant indicating one of authorization of the attempted

15 transaction and denial of the attempted transaction.

--41. A system for processing a transaction comprising:

a memory unit for storing destination account data including data indicating a balance of a destination account and data identifying the destination account; and

20 a processing unit operatively connected to the memory unit, the processing unit programmed to

receive an automated clearing house transfer from a source account via an automated clearing house network,

adjust the destination account data associated with the destination account by increasing the balance of the destination account by an amount of the transfer,

receiving transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and the data identifying the destination
5 account,

processing the attempted transaction with a credit card interchange rate, and

transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

10 --42. A system for processing a transaction comprising:

a memory unit for storing destination account data including data indicating a balance of a destination account and data identifying the destination account; and

a processing unit operatively connected to the memory unit, the processing unit programmed to

15 receive an automated clearing house transfer from a source account via an automated clearing house network,

adjust the destination account data associated with the destination account by increasing the balance of the destination account by an amount of the transfer;

20 receive transaction data from a merchant indicating an attempted transaction, the transaction data including a transaction amount and the data identifying the destination account,

processing the attempted transaction with a credit card interchange rate, and

transmitting data to the merchant indicating one of authorization of the attempted transaction and denial of the attempted transaction.

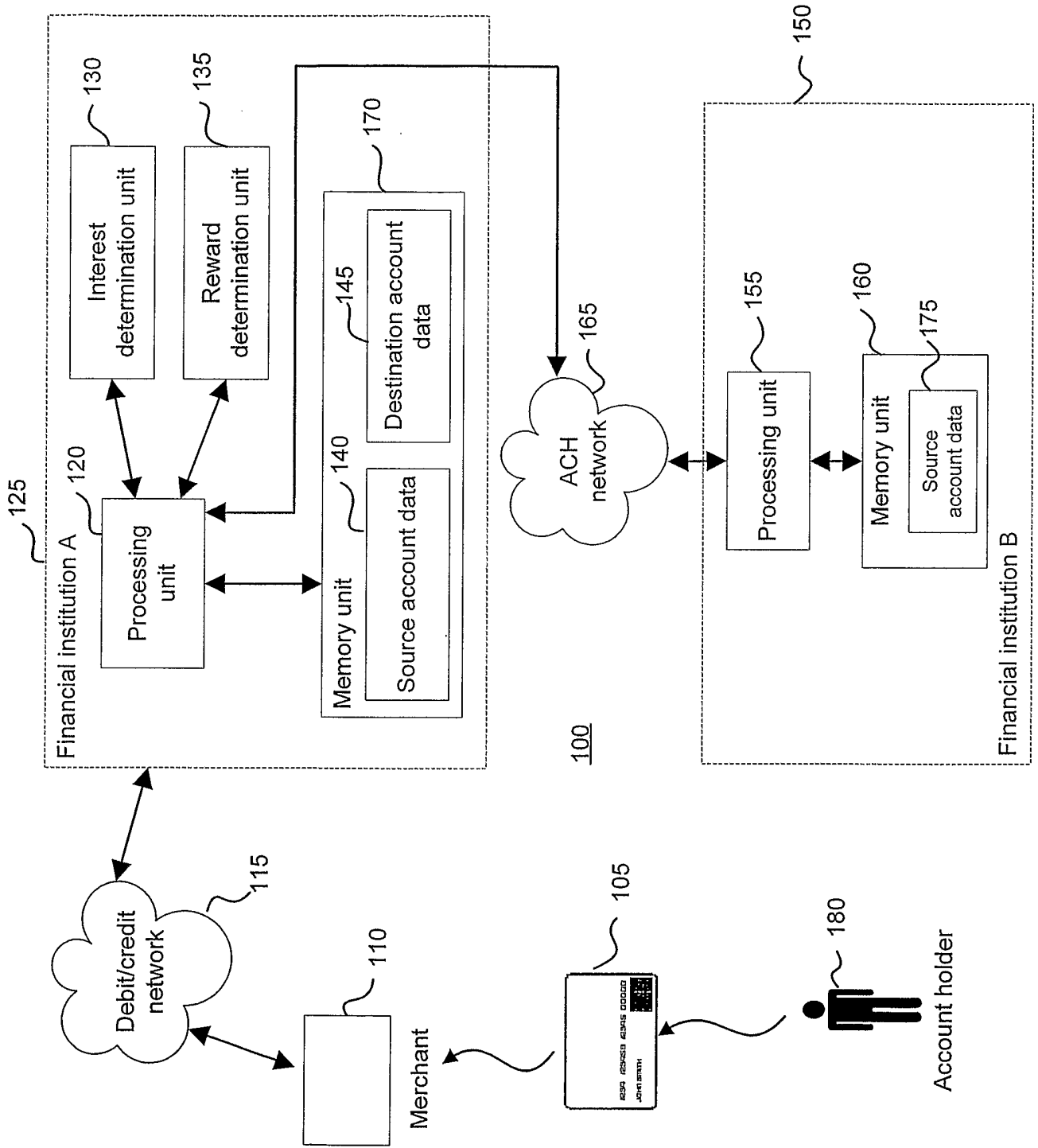


Figure 1

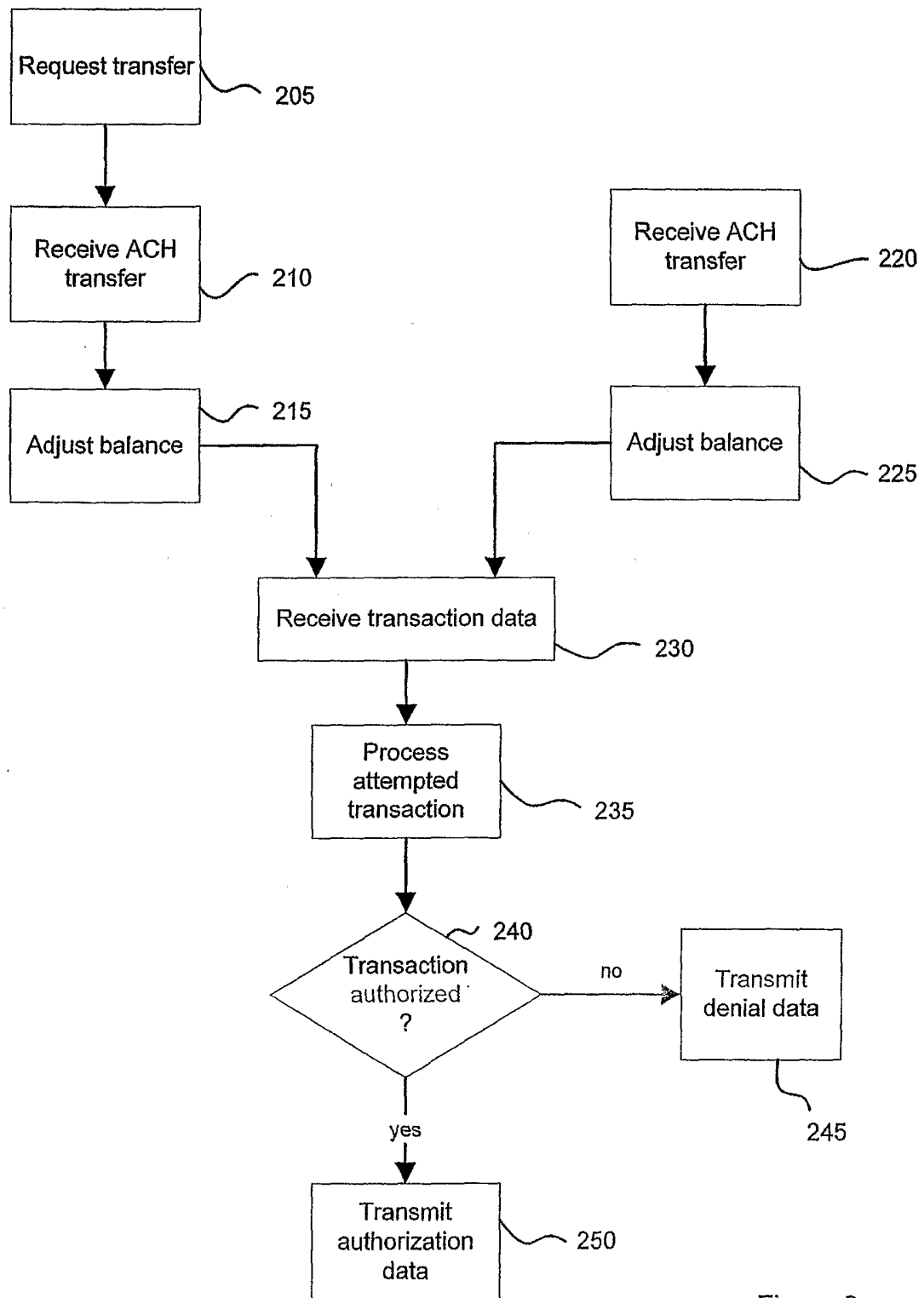


Figure 2

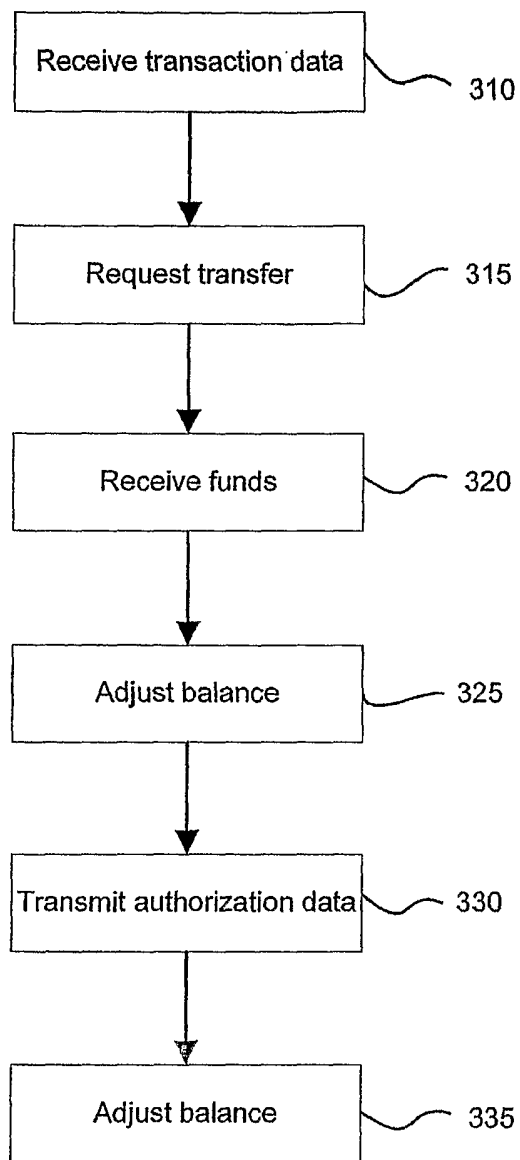


Figure 3

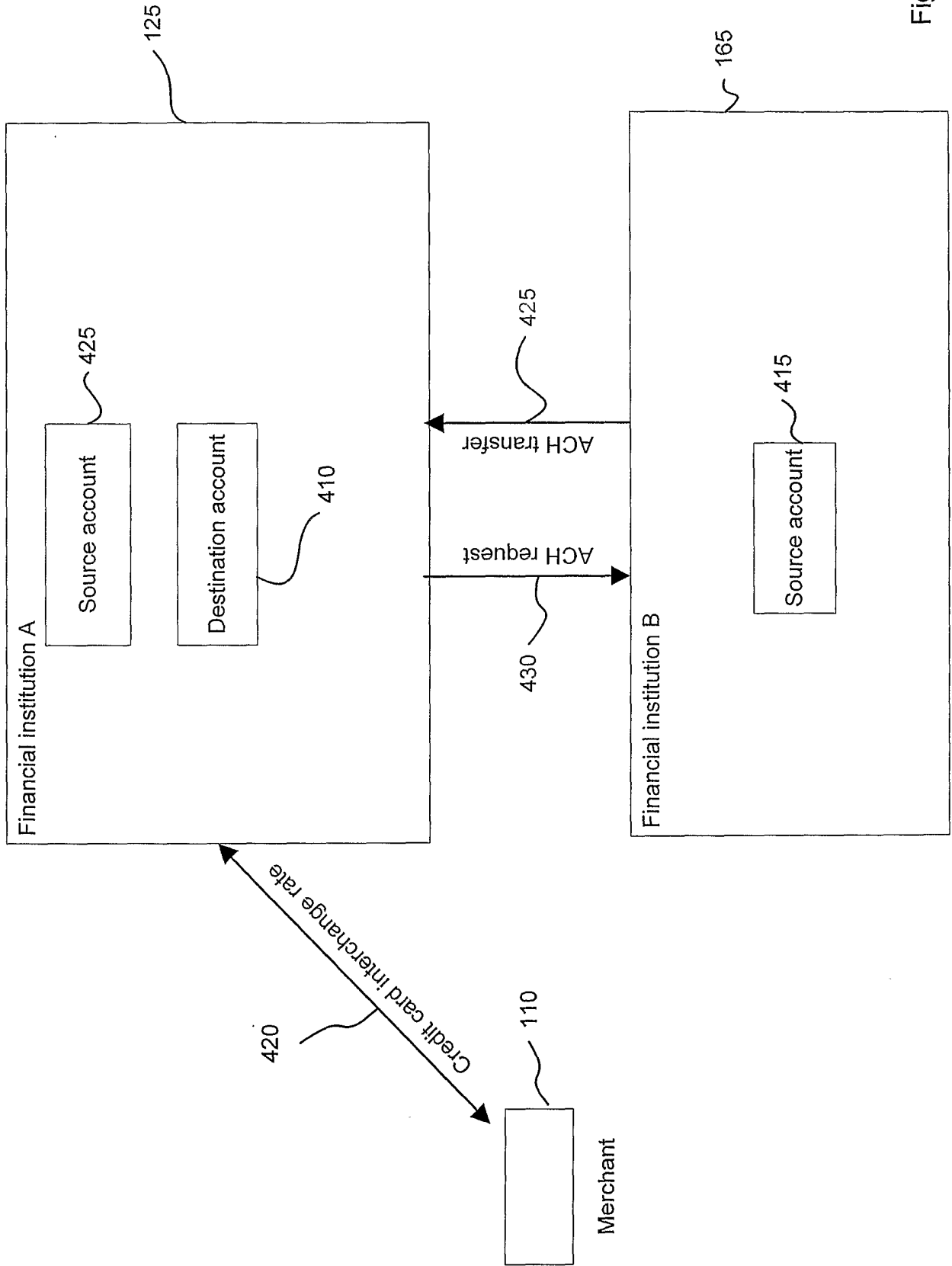


Figure 4