Instead of listing the balance of each individual loan, the lender would submit a form showing the average daily balance for the quarter or the quarterly balance on all loans and the Office of Education would send one check for the total amount.

The lender would still submit all the necessary statistical information each time a loan is made. However, after that the paperwork would be greatly reduced. If the Office of Education believes a post-audit system is necessary to make certain that interest payments are correct, perhaps an arrangement can be worked out with the Federal bank examiners.

But the biggest potential savings in paperwork comes when the student graduates and starts to repay the loan. Under the present system, the lender is required to compute the outstanding principal balance each quarter for as long as 10 years in order to receive the 3-percent interest paid by the Government.

This is a complication that deserves close attention. Several plans have been advanced to deal with this problem.

The most promising suggestion is that once the student graduates he should pay the full 6 percent interest. Then when the loan is repaid in full the student would get a rebate from the Government covering half of the interest paid. This proposal has several advantages. It would result in only one transaction between the bank or student and the Office of Education after the student graduates. If the student took 10 years to repay that would mean one transaction instead of 40.

This system would also provide an important incentive for the student to repay the loan. Moreover, such a system might be less attractive to those who actually don't need the loans, those who could meet college expenses with smaller loans.

This would make more funds available to students who actually need the money to meet college costs.

I realize that "need" is a sensitive word when it comes to these loans but it is a word that cannot be avoided. If the college financial aid officer is not permitted to recommend a loan of a certain amount for a student and each student asks for the maximum, then the bank is placed in a difficult position.

If the bank sets aside a certain amount to meet the demand for these loans, and the demand is greater than the bank can meet, the bank will have to be selective.

The bank would rather lend to the student who actually needs it than to the student whose family just found it more convenient to borrow.

When money gets as tight as it did this past year, some students in dire need may not be able to get loans because students who didn't need loans got them.

It seems to me that the college financial aid officer should be authorized to recommend a maximum amount for each student loan. He knows about other sources of financial aid available to the student.

He knows about the work-study program and the grant program. He also knows about the National Defense Education Act loans.

Getting back to the so-called Michigan plan, the only disadvantage to having the student pay the full interest during the repayment period is that the student would have to meet a slightly higher monthly